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12 March 1980

China Report

ECONOMIC AFFAIRS

No. 48

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NATIONAL ECONOMIC POLICY

FERROUS MINING SHOULD BE SPARED FROM CUTBACK

Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 32-33

/Article by Li Peilin [2621 3099 2651] of the Ministry of Metallurgical Industry: "During Readjustment We Must Pay Attention to the 'Short Line' within the 'Long Line'"/

/Text/ At the recently convened National Work Conference on Ferrous Metallurgy and Mining, the leading comrades of some mining enterprises raised a question which set people thinking: How should we handle correctly the "short line" within the "long line" during the 3 years of readjusting the national economy? More specifically, what is the correct way to handle mining during the readjustment of the iron and steel industry?

At present the iron and steel industry belongs to the "long line" in the overall national economy and should be readjusted downward. Yet the mining of the ferrous metals which supplies raw materials for the iron and steel industry is a prominent weak link within that industry and is a "short line." We cannot be indiscriminate in readjusting the iron and steel industry and chop off everything as a "long line." There are specific differences in conditions which should be treated specifically according to the different characteristics of each part. Shouldn't some go up and some go down, some increase and some decrease? I should note that this is a genuine problem not only for the iron and steel industry, but one which merits attention during the readjustment of the various other lines of activity.

An old problem in the metallurgical industry for many years has been that mining extraction lags behind smelting. For the past three decades since the founding of the country, the mining of ferrous metals has developed rather quickly and has achieved very great successes. But compared with the developmental pace of iron and steel smelting it has failed to keep pace. The general condition is one of imbalance, with low quality, insufficient quantity and too few varieties. This does not meet the needs of iron and steel production. Looking at the numbers, no matter whether on the scale of building or on the present actual level of production, mining lags far behind smelting. In addition, overall production capability has been insuffient for a long time because the important links within mining, including extraction, dressing, transportation and machinery repair, are not coordinated. Furthermore, the stripping-to-ore ratio in some mines is imbalanced, the technology of ore dressing for some types of ore is not up to standard and the productive capacity of some old mines is naturally declining, with their actual production levels unable for a long period to reach the designed scale. For example, the present level of production in China's 45 key-point iron mines only reaches 85 percent and below of the scale they were built to. In terms of the pace of construction, additions to the productive capacity of mining are much slower than in smelting because the quantity of mining construction projects is large, their construction period is long and they are restricted by geology, landforms and space. For example, a large-scale blast furnace can generally be built within a year; but a large-scale mine requires 5 to 8 years. Therefore mining must go in advance of the iron and steel industry. This is an objective law in the iron and steel industry which is independent of human will.

Yet when we scan the development of China's mining and smelting over the 30 years since the founding of the country, we just have not acted according to this objective law very well. During the 3 years of restoring the national economy, the pace of development of mining was much slower than that of iron and steel. Iron and steel increased 1.2 times, while ores increased only 0.8 times. During the First Five Year Plan Period, mining was relatively rapid, with the ratio of ore to iron and steel gradually increasing from an original 3.3 to 3.6. Besides the fact that we paid relatively close attention to mining construction during the First Five Year Plan Period, the capital construction investment in mining during the 3 years of restoration was a contributing factor. During the 3 years of readjustment in the 1960s, mining maintained a steady advance, with ore output increasing by 30 percent during the 3 years and the quality of the ore also improving from year to year. However, the pace of increase in iron and steel was rather great, with steel output increasing by 60 percent during the 3 years, or twice as fast as iron ore. Because of this the ratio of ore to iron and steel tended to fall and the ore supply situation became progressively tighter. During the Third Five Year Plan Period, the development of mining production was relatively fast, increasing by an average of 5 million tons per annum, but the speed of development of mining slowed down again during the Fourth Five Year Plan Period due to the interference and sabotage of Lin Biao and the "gang of four," with an annual average of 2 million tons less than during the Third Five Year Plan Period. In the 3 years since the smashing of the "gang of four," mining output has speeded up again, with the output of iron ore increasing by an average in excess of 10 million tons per year. Yet the speed of development of steel output still far exceeded that of ore. In addition, the natural grade of the ore tended to fall, with the ratio of original ore to that selected increasing greatly. Therefore, calculating on the basis of the actual amount of metal, the disparity between ore and smelting has been pulled wider just as before, with the imbalance becoming more and more serious. Under these conditions, if we do not carry out a concrete analysis but rather chop off all smelting and mining at one blow lumping them together as a "long line," not only will we be unable to change the serious imbalance between ores and smelting but we will further weaken the already weak link of mining. If this goes on for long, we could create a condition of "cooking a meal without rice" in the iron and steel industry.

Practice shows that weak links are nothing to be afraid of. What is to be feared is that the leadership at all levels, in regarding this kind of problem of imbalance, either see it but do not perceive it, perceive it but do not handle it or handle it without achieving any results, stopping at doing lip service but making the same old work arrangements in practice: when they are to forge ahead, they forge first with blast furnaces; when they are to cut back, they cut back first on mining.

In the past several years, the conditions of "waiting for rice to go into the pot" or "hungry blast furnaces" did not appear because we imported some of our ore from abroad to make up for the lack of sufficient ore. By no means is this a long-term plan, and even less can it become an argument for our not putting mining in its proper position.

Looking at this year's investment situation, this question urgently requires the serious consideration of leaders of the relevant departments. The proportion of investment this year in the iron and steel industry which is to go to mining construction is even lower than last year. In particular, funds to transform medium and small scale mines have been wiped out entirely, small scale construction investment for subsidiary raw materials mines have been pared in half compared to last year, and many mining construction items have had no alternative but to cease operations in midstream. In addition to this most mines are under the leadership of integrated iron and steel complexes, where the main efforts of the leading comrades are always directed at smelting and rolling. They take no heed of mining. The manpower, materials and finance necessary for mining construction can never be registered or put in line within the integrated complex. Therefore, changing this kind of condition requires even louder, shriller shouting.

If the iron and steel industry is this way, how can other occupations not have similar conditions? Within a large industry conditions vary considerably. A "long line" industry cannot be long everywhere; there are short lines within the long. Likewise, a "short line" industry cannot be short everywhere; there are long lines within the short. In readjustment, we definitely must do concrete analysis and persist in handling concrete conditions concretely. In particular we must clearly delineate where the long parts are in a "long line" industry and resolutely readjust the long parts downward. But we definitely must pay attention to the problem that there are short lines amid the long. At the same time that we readjust the "long line" downward, we must readjust the "short lines" within upward.

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BRIEFS

LIAONING PROVINCE INDUSTRIAL OUTPUT--During the period from 1 to 20 January Liaoning Province increased its industrial output value by 15.6 percent compared with that of the corresponding period of last year. Remarkable increase in production was noted on the metallurgical industry front, where output plans for all the eight major products were overfulfilled, with the only exception of rolled steel. During this period daily electric power output was 7 million kwh more than the pre-set target. Other products showing higher output were sulfuric acid, cement and glass, exceeding the production target by 19.5, 21.3 and 13.9 percent respectively. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 28 Jan 80 SK]

CSO: 4006

FINANCE AND BANKING

BRIEFS

GUANGDONG INCOME, PROFIT REGULATIONS--Recently, the Guangdong People's Government and the Guangzhou Municipal Revolutionary Committee approved the provisional regulations on the retention of income and profit formulated by the Guangdong Science Institute, so as to extensively open up more resources of funds, which will be allocated to the scientific research units. These units have generally signed contracts with the factories to share the profits of scientific research achievements and accepted requests from the production units to conduct research on instruments and equipments. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 1 Feb 80 HK]

GANSU PROVINCE RURAL DEPOSITS--Following the increase of collective and individual income amassed from developing diversified economy and sideline production, Gansu Province has greatly increased its rural deposits. As of the end of 1979, the total sum of provincial rural deposits reached to more than 279.5 million yuan, which surpassed that of 1978 by 8.4 percent. The total sum of commune members' deposits throughout the province reached to more than 80 million yuan, which topped that of 1978 by 31.1 percent. According to a statistic made by Jiuquan, Zhangye and Pingliang prefectures and by Linxia Autonomous Prefecture, rural households which have joined the deposit campaign amount to half of the total number of rural households. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 18 Jan 80 SK]

TIANJIN MUNICIPALITY SAVINGS DEPOSITS--As of the end of 1979, the total amount of savings deposits in the urban areas of Tianjin Municipality reached a record 523.45 million yuan. This showed an increase of 159.75 million yuan compared with the figures at the beginning of the year. [Tianjin City Service in Mandarin 1330 GMT 2 Feb 80 SK]

CSO: 4006

GUANGDONG POWER OUTPUT IN 1979

Guangzhou NANFANG RIBAO in Chinese 7 Jan 80 p 1

[Article by Lu Jiduan [0712 4949 4551]: "Guangdong Province Establishes All-Time High Record in Power Output During 1979"]

[Text] In 1979 the broad masses of workers and staff members on the power industrial front of Guangdong Province contributed positively to the four modernizations by fulfilling production plans comprehensively. Records were established in all categories, including electric energy production, in-plant power consumption rate, coal consumption, and line loss rate.

The staff and workers of the power industry in Guangdong laucnhed an extensive campaign to increase production and practice economy in 1979, promoting safety in production, output of high-quality products, low consumption [of coal], and high generation and supply of power. They fulfilled their annual electric output plan 15 days ahead of schedule, generating a total of 10.8 billion kilowatt-hours of electricity. This output represents an increase of 12.24 percent over that of 1978.

The accident rate of power generating installations in 1979 dropped 60 percent as compared with that of 1978. During the entire year of 1979 power plants located in Guangzhou, Tanling, Nanshui, Liuxi He, as well as other places, all generated electricty without any accidents.

At the same time, the quality of electricity was improved while various consumption norms were greatly reduced. Between January and November 1979, the consumption of coal per kilowatt-hour of electricity was reduced 39 grams, as compared with the corresponding period in 1978. This reduction saved m more than 230,000 tons of standard coal. Moreover, the water level of reservoirs is gradually increasing as a result of strengthening of economic management of various hydroelectric power plants. For example, the water level of the Xinfeng Jiang Hydroelectric Power Plant was raised from 86.2 meters during the early part of 1978 to more than 98 meters, thereby making it possible to lower power generation as well as water consumption.

At the present time the broad masses of staff members and workers are engaged in summarizing their experiences. They are determined to increase the capacity to generate power as rapidly as possible in 1980 in order to alleviate the tense situation existing in the power supply sector.

CSO: 4006

COUNTRY CONSERVES ENERGY BY USING UNDERGROUND WATER

OW311422 Beijing XINHUA Domestic Service in Chinese 1137 GMT 31 Jan 80 OW

[Text] Beijing, 31 Jan--A new technology to conserve energy in water-bearing strata has been broadly applied to China's textile, light and chemical industries and become a new energy resource for realizing the modernization program, according to a GUANGMING RIBAO report.

Introduction of this new technology was started by Chinese scientists and technicians in 1963. In the course of studying how to control Shanghai's ground sinking and fill the city's insufficient underground water, they discovered that in an underground water-bearing stratum with a fixed structure, water changes little in temperature and moves slowly. Based on this theory, they successfully conducted experiments on "cold conservation" and "heat conservation." The former refers to storing water underground in winter and pumping it out in summer for air conditioning and refrigeration purposes. This process is called "storing in winter and using in summer." The latter refers to warming water with solar heat and residual heat and storing it underground in summer and pumping it out in winter for heating and other purposes. This process is called "storing in summer and using in winter."

This new technology, which can turn a water-bearing stratum into a huge "underground cold water reservoir" or "warm water thermos," needs only a small investment, saves power and coal, is easily manageable but yields high economic results. Certain textile mills in Shanghai have saved more than 400 kwh of power since applying this new technology. By adopting the "filling in winter and using in summer" process during 1970-1978, the Beijing No 3 Cotton Mill saved about 500,000 yuan.

CSO: 4006

FUELS AND POWER

POWER INDUSTRY VICE MINISTER ON WORK TO INCREASE OUTPUT, PRACTICE ECONOMY

Beijing GONGREN RIBAO in Chinese 5 Feb 80 p 1

[Article: "Need to Stress Eight Tasks in Launching a Movement to Increase Output and Practice Economy on the Electric Power Front--Li Daigeng [2621 0108 5087], Vice Minister of Power Industry Answers Reporter's Questions"]

[Text] Question: What is the supply and demand situation in electric power this year? How ought the expansion of staff and workers on the electric power front strive to adapt to the requirements of this situation?

Answer: The quota for electric energy production in this year's state plan is 290 billion kilowatt hours, an increase of only 4 percent over last year's electric energy production plan. At the present time nationwide daily generation of electricity averages in excess of 800 million kilowatt hours, so it may seem that the plan for the entire year can be fulfilled simply by maintaining this level. But we must realize that 290 billion kilowatt hours cannot satisfy the needs of the national economy for electricity. The increase in the total industrial output value in this year's state plan exceeds the increase in electric energy production, and the increases in use of electricity by agriculture and the populace at large is even greater. Additionally, production of petroleum and coal cannot be increased, and the overuse for a long period of time of existing hydroelectric power stations has resulted in a lowering of the water level in catchments while newly constructed hydroelectric power stations do not suffice. This is the prominent conflict to be faced in the generation of electric power at the present time. We hope that through an appropriate additional allocation of fuels by the state, we will be able to strive through every manner of means to generate an additional 10 billion kilowatt hours of electricity. There is only one way to complete this task, and that is to launch a widespread and deepgoing campaign to increase production and practice conservation in which the principal ingredients are safety, economy, high quality, high efficiency, greater generation, and greater supply, using economics to try to achieve increased output and using economies to maintain the pace.

Question: Last year's campaign on the electric power battle front to increase output and practice conservation was very successful. Is there any untapped potential this year?

Answer: In 1978, the consumption of coal for every kilowatt hour of electricity that was produced fell to 434 grams, breaking the best level ever recorded and beginning a turnaround in the fluctuating situation that had existed for 10 years. In 1979 there was a further decline by 13 grams over 1978 in the amount of coal consumed to produce every kilowatt hour of electricity. But we must realize that a potential to be tapped still exists. Thermal energy equilibrium checks conducted at 58 power plants in the northeast and in Shandong show that actual coal consumption is still 12 grams higher than designed levels. In the use of electricity by the plants themselves there also exists quite a potential for economy. Last year the plant utilization rate for electricity in thermal power plants throughout the country of 6,000 kilowatts and above was higher by 0.27 percent than the best levels recorded. From this it may be seen that the potential nationwide for increased production and greater economy in electric power enterprises is still very large.

Question: What are the main tasks to be stressed in launching a campaign to increase output and practice economy on the electric power front?

Answer: In the campaign to increase output and practice economy, there must be adherence to a policy of "safety first." For the past year a mass campaign has been in progress for 100 days without accident and 1,000 operations without mishap in which there has been a continuous decline in accidents throughout the year. This year there should be continued mobilization of the masses to create a new accident-free record. Awards should be given any plant that goes for 100 days without accident. Thermal electric plants able to go 300 days without accident anywhere in the plant, hydroelectric plants able to go 500 days without accident, and electricity supply bureaus able to go 100 days without accident anywhere in the bureau should be awarded timely summarization and commendation by the grid bureau and the provincial bureau. In the struggle against accidents, we must certainly strive to eliminate human deaths, serious damage to facilities, serious fires, power outages throughout plants, power outages over wide areas and for major users, all of which result from frequent and pernicious accidents.

2. There must be a complete renovation of equipment so that equipment will operate safely over long periods of time. All units that generate and supply electricity must carry out inspections and repairs strictly according to plan, to assure the quality of inspection and repairs, reduce the need for temporary repairs, and improve the performance rate of equipment.

3. Highly centralized and unified management over the electric grid must be strengthened, and economic controls over the electric grid must be instituted so as to derive the fullest benefit from the electric grid. In thermal power plants, the high temperature to high voltage ratio in the generating of electric energy must be improved. For hydroelectric power stations, each grid bureau and provincial bureau should issue quotas for utilization rates of water and water consumption rates in the generation of electric power to serve as criteria against which checks will be made.

Efforts should be made to increase the water level in catchments with each key hydropower station's water level meeting the requirements of control charts.

4. Theoretical calculations must be made about likely damage to electric power lines with checking of voltage divider lines and branch lines.

5. Maintain planned use of electricity, conservation in the use of electricity, selective supply of electricity, stabilize and improve the cycling of the power grid and the quality of the voltage, further reduce variations in the cycling rate, and make sure that all unused potential is brought to light.

6. Conscientiously stress upgrading of equipment use to generate and supply electricity.

7. Continue to stress and to implement the conversion of oil burning equipment to coal burning.

8. Strengthen work in political ideology; demonstrate a spirit of arduous struggle; develop socialist work competition and a campaign of appraisal, comparision, selection and achievement in preparation for this year's convening of an All-China Model Workers Conference.

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FUELS AND POWER

BRIEFS

SHANDONG PROVINCE IRON MINE--Recently an open-cut iron mine has been put into operation in the suburbs of Zaozhuang Municipality, Shandong Province. The total proven deposit amounts to 1.15 million tons, and the mine will produce 100,000 tons annually. Most of the mining work is performed by machines. The ore-dressing plant uses the magnetic process to concentrate the ore. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Jan 80 SK]

JILIN PROVINCE TRANSFORMER STATION--A 10,000-KVA transformer station has recently been completed and put into operation in Tonghua Municipality, Jilin Province. This facility will improve the condition of power supply and help development of industrial and agricultural production in the municipality. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 27 Jan 80 SK]

COAL-DRESSING PLANT--A big coal-dressing plant was recently completed in Wuhai Municipality, Nei Monggol Autonomous Region. A test run showed that all machines and equipment operated well. This is the largest coal-dressing plant in Nei Monggol with a capacity of 1.2 million tons of dressed coal annually. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 6 Feb 80 SK]

HAINAN OIL-DRILLING PLATFORM ARRIVES--The Chinese oil-drilling platform, Nanhai No 3, built in Japan at an advanced world level, arrived in Sanya harbor after being towed by two boats for 18 days. [HK020650 Haikou Hainan Island Service in Mandarin 0330 GMT 31 Jan 80 HK]

POWER GRID FREQUENCIES--Beijing, 19 Feb--China's power industry has solved its long-existing problem of operating on low frequencies. The country's more than 30 power grids are now operating on normal frequencies around 50 cycles per second with a wave motion allowance of not more than 0.5 cycles. In the past, as a result of the sabotage of Lin Biao and the "gang of four," acute supply and demand problems have occurred in most areas. Normal management of the power industry was undermined, rendering the majority of power grids inadequate. Since the smashing of the "gang of four," power departments in various localities have taken measures to restore normal frequencies. These measures have raised the rate of the country's power generating equipment meeting the standards from 85.7 percent at the end of 1976 to 93 percent by the end of 1979. [OW220108 Beijing XINHUA Domestic Service in Chinese 0110 GMT 19 Feb 80 OW]

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LIGHT INDUSTRY

BRIEFS

NEI MONGGOL HANDCRAFT INDUSTRY--Nei Monggol's art and handcraft products made of animal byproducts such as camel bone and cattle horn are enjoying a brisk sale on foreign markets. At present, there are more than 50 factories and 70 processing centers throughout the region, which engage in the production of carpet and which can score the annual output of 120,000 square meters, surpassing that of in the past few years by 7 times. According to a statistic, our region earned the foreign exchange of more than 7.7 million U.S. dollars by exporting art and handcraft products in 1979, which amounts to 8.9 percent of the regional total foreign exchange sum earned by export. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 9 Feb 80 SK]

LIAONING PROVINCE INDUSTRIAL OUTPUT--The January industrial output value in Liaoning Province was 16.3 percent more than that in the corresponding period of last year. Remarkable growth was noted in light industry which had a total output value 35.2 percent more than the corresponding period of last year. Output of the 30 major light industry products, including textiles, all went up. Considerable development was also made in power, fuel and raw material industries. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 3 Feb 80 SK]

LIAONING'S ELECTRONICS INDUSTRY--Liaoning's electonics industry made great progress in 1979. The total value of output in 1979 surpassed the planned target by 16 percent and showed a 7.6 percent rise over the 1978 record. Last year some 110,000 television sets were produced, showing a threefold increase over 1978 peroduction. Marked increases were also noted in the output of radios and tape recorders. The quality of products was better than ever before. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 1 Feb 80 SK]

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CAPITAL CONSTRUCTION

BOOK ON CAPITAL CONSTRUCTION FINANCIAL APPROPRIATION SYSTEM COMPILED

Publication Information

Beijing JIBEN JIANSHE CAIWU BOKUAN ZHIDU XUANBIAN [SELECTIONS ON CAPITAL CONSTRUCTION FINANCIAL APPROPRIATION SYSTEM] in Chinese Sep 79 pp ii, iii, v-xxvi, 544-579

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Editorial Explanation

Beijing JIBEN JIANSHE CAIWU BOKUAN ZHIDU XUANBIAN [SELECTIONS ON CAPITAL CONSTRUCTION FINANCIAL APPROPRIATION SYSTEM] in Chinese Sep 78 p iii

[Text] To implement our wise [illegible] Chairman Hua's strategic decision of grasping class struggle as the key link and bringing order across the land; to conscientiously implement the party's line, principles and policies; and to strengthen the control of financial appropriation for capital construction, we have compiled this JIBEN JIANSHE CAIWU BOKUAN ZHIDU XUANBIAN for study by the personnel of capital construction units, construction and installation enterprises and geological prospecting units; the financial accounting personnel, and the bank personnel.

The documents in the SELECTION were issued by the State Council, the ministries and commissions concerned, and the People's Construction Bank of China prior to the end of May 1978 on a nationwide basis concerning the main current rules and regulations. Most of these documents are carried in full text; however, because of changed conditions, some of them are published as excerpts, and explanatory notes are also given for some of them.

To save space, some rules and regulations, already published in pamphlet forms, are not included here. The names of units to whom the documents were addressed or copied are generally deleted.

Because of our limited ability, certain defects and mistakes in the compilation are inevitable. Comments from our comrades are solicited.

May 1978

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Technical Terms Explained

Beijing JIBEN JIANSHE CAIWU BOKUAN ZHIDU XUANBIAN [SELECTIONS ON CAPITAL CONSTRUCTION FINANCIAL APPROPRIATION SYSTEM] in Chinese Sep 78 pp 544-579

[Text] V. Capital Construction Statistics

Explanation of Important Targets of Capital Construction Statistics (Promulgated for Trial Implementation by the Statistics Bureau of State Planning Commission in October 1977)

Tasks and Requirements for Capital Construction Statistics

Capital construction is an important means of socialist expanded reproduction through fixed assets. It is necessary to firmly adhere to the socialist orientation and to make capital construction a success in order to realize the four modernizations at an early date, to strengthen the material foundation of proletarian dictatorship and to gradually raise people's standard of material and cultural living.

Capital construction statistics is an important task reflecting capital construction activities. It is also an important component of national economic statistics.

Capital construction statistics should be carried out under the guidance of the party's basic line, and should provide data to enable the leadership at the central and various levels to keep track of the situation, decide on policies, provide work directions, and work out and review plans for capital construction. In carrying out capital construction, we must grasp class struggle as the key link, seek truth from facts, truthfully reflect conditions, and strictly follow the system and forms stipulated by the state for statistics. The statistics must be compiled accurately and in good time, and be reported to the higher authorities without delay. It must be based on study, investigations, synthesis and analysis, and must promptly report on the conditions under which the policy of concentrating our resources where it is really needed on the capital front is implemented as well as on the physical progress of construction and the returns on investment. To set up and improve a rational statistics system, we must be careful with the primary records at the basic level units and at the same time strengthen our management of capital construction.

Capital construction statistics includes two major categories: capital construction investment statistics and construction statistics. Capital construction investment statistics refers mainly to construction projects, amounts of investments, newly increased productive capacity (or returns on investment), statistics on newly increased fixed assets and analysis of returns on investments. Construction statistics refers to the workload, physical progress, construction quality, level of mechanization, labor productivity, construction costs and other statistics. In this "Explanation of Targets," our main purpose is to explain the targets related to statistics on capital construction investments.

I. Scope of Capital Construction Statistics

Based on the actual conditions of our present national economic management and according to the present system of capital construction statistics, the scope of such statistics includes:

1. Projects for which direct investments have been included in the state budget.

2. Projects for which funds have been raised by the regions or departments themselves.

3. Capital construction projects which are not included in the plans.

Projects of tapping potentials, renovation and transformation financed by special funds, and independent statistics are not within the scope of capital construction statistics. The funds used for the "five small industries" technology to increase or support the production of goods in short supply; for measures of mobilization for war industry; for opening, expanding and supporting coal mines; and for renovation of enterprises (which are from special appropriations or special bank loans and which are specially planned and managed) come under the category of funds for tapping potentials, renovation and transformation. However, measures for tapping potentials financed by state investment according to capital construction plan or self-financed should be included in the statistics form for capital construction.

Projects financed by capital construction investments or by special funds, which are under separate management and accounting, should have separate statistics. If they are under unified management and accounting, those projects mainly financed by capital construction investments can be totally included in the statistics form of capital construction, while those financed by special funds can be carried in the forms for tapping potentials, renovation and transformation. If a project in the process of construction is sometimes included in the capital construction plan and sometimes in the plans financed by special funds, it should be reported in the appropriate form when its nature was determined at the very beginning.

The current capital statistics forms are used exclusively for items owned by all the people, while statistics on capital construction undertaken by units owned by the collectives will be carried out separately later as required. However, when collectively owned units carry out capital construction with state investments or with funds raised by provinces, municipalities or autonomous regions, the current capital construction statistics form should be used.

II. Capital Construction Projects

A capital construction project generally refers to a capital construction unit carried out technically under an overall design, economically under a unified accounting system and administratively as an independent organization. A construction project means the formulation and implementation of basic level construction plans and has to be carried in the basic level statistics forms. It forms the main basis for statistical classification. Generally, the work of an enterprise (or integrated complex) or an institution, or an independent construction work is considered a construction project. However, we cannot combine several work items under different overall designs and different accounts as one construction project simply because they become one "set" or happen to be in the same "area." Nor can we divide one work item, which is under the same overall design, into several projects according to the division of administrative areas or to the number of units engaged in the construction. As long as it is under an overall design, a construction job, even carried out by stages, could still be considered one construction project for statistical purposes.

In order to more effectively implement the policy of concentrating our resources where they are really needed and in accordance with the developing situation of national economy, the state has regarded some significant construction projects as key construction projects of the state. These projects enjoy priority in funds, equipment, materials and construction manpower. Now, according to the stipulations of the current statistics reports as required by the state, statistics on the progress of each of these key projects should be conducted month by month.

(One) Projects in Preparatory Stage, Under Construction, Ready for Commission and Requiring Finishing Touches

According to the stages of progress, capital construction projects are classified as follows: Preparation, construction, commissioning and conclusion.

1. Project in the preparatory stage: This refers to construction projects on which actual work has not yet started. According to state regulations, a special preparatory body must be formed before any relatively large construction project is actually carried out, in order that such preparations as examination of the designing documents, compilation of designed budgets, ordering equipment, requisition of land, and so forth, could be carried out. When work has actually been started, it becomes a project under construction.

2. Projects under construction: This refers to the construction being actually carried out during the period covered by the report. It includes projects with construction newly started during the report period, projects being carried over from the previous report and being continued, projects previously suspended but reactivated in the report period and projects still in progress, already completed for commissioning, or suspended during the report period.

Newly Started Projects: This refers to the project newly started during the reported period, including newly started new projects, and projects having been previously started, but now being expanded or revised by the same enterprises or institutions. The purpose of their inclusion in the report is to show the number of projects being started during the report period.

Projects Being Continued: This refers to the projects already started before the report period and carried over from previous report to be continued.

Suspended Projects: This refers to projects of which construction has been suspended according to the principle of curtailing capital construction in order to concentrate our resources where they are really needed; and the suspended main construction, leaving only preservative work (including the work required to bring the construction to a certain stage to facilitate preservation [pickling]). Such projects should be considered "suspended projects" in statistics. If a suspended project is reactivated, it should be treated as a project under construction. Projects being carried out at reduced speed in order to reduce the scope of construction, such as by suspending the construction of only one plant and continuing the construction of another in an overall project, should not be treated as suspended projects, but rather as projects under construction for statistics purpose.

In statistics, the number of projects under construction should not include those requiring less than 100,000 yuan in investment, or the pure purchase units.

The number of projects under construction is an important indication of the scope of capital construction being undertaken. The number of projects, on which the total investment is less than 100,000 yuan each, is quite large, and this number frequently changes. However, since the amount of investment and manpower required are not large, the number of these projects is not included in the present statistics system in order that an accurate picture of the nationwide capital construction front can be presented. Yet the investment for completing these projects, the fixed assets put to use, the newly increased productive capacity (or returns on investments) and other items should still be accounted for.

Pure Purchase Units: This refers to the enterprises, institutions and administrative organs using capital construction funds to purchase various equipment, tools or appliances. These units require no overall designs and do not carry out construction or installation jobs. Pure purchase units work out basic level plans and fill the basic level statistics forms, but are not counted as construction projects.

3. Construction Projects Which Have Been Completed and Commissioned (in the case of nonindustrial projects, it is called "ready for use" here and hereafter): These projects are classified into two types: totally completed and commissioned, and partially completed and commissioned. They serve as important indications of the returns on investment in capital construction.

Totally Completed and Commissioned (briefly called "Completely Commissioned"): In industry, this refers to the construction projects which have been formally transferred to the production departments after the total completion of the production line according to the designing documents, and after being tested and found to be satisfactory. In the case of nonindustrial projects, this refers to the projects which have been formally transferred to the users after the completion of the main construction job as stipulated in the designs, and after being tested and found to be capable of yielding the benefits as specified in the design.

Partially Completed and Commissioned Construction Projects (briefly called "Partially Commissioned Projects): In industry, this refers to construction projects formally transferred to the production departments after completing one workshop or production line for the production of one of several products, or part of the production line for the production of a single product as specified in the design documents, and after being tested and found to be satisfactory. In the case of nonindustrial projects, it refers to the projects which have been formally put to use after partially completing the main construction job as specified in the design, and after being tested and found to be capable of yielding the required benefits, also as specified in the designs.

The conditions for counting construction projects as being completely commissioned are the same as the conditions for computing the amount of newly increased productive capacity. For example, when the entire designed productive capacity of a certain construction project measures up to the conditions required for computing the newly increased productive capacity (for specific conditions, see Part Four on explanations of newly increased productive capacity), this construction project can be counted as being completely commissioned. When the productive capacity for one of the several products as specified by the design, or when part of the designed productive capacity for one product, measures up to the conditions required for computing newly increased productive capacity, this construction project is counted as a partially commissioned project.

Several Specifications for Computing the Number of Completely Commissioned or Partially Commissioned Construction Projects

(1) When the overall design stipulates that a project be completed in different stages, the project must be in complete commission in all stages before it can be counted as a completely commissioned project. If such a project is completed in the first stage or partially completed and transferred to the producer, then it is counted as partially commissioned.

(2) To ascertain whether or not a construction project has been completely commissioned, it is necessary to determine whether or not the designed increase of productive capacity for the ultimate, or main, product has been achieved. For instance, an iron and steel plant must have the newly increased capacity for steel refining and iron refining; a machine-tool plant must have the newly increased capacity in the form of lathes; and a cement plant must have the capacity to produce more cement, before they can be considered commissioned. However, when workshops not producing the main products, or workshops engaged in multiple undertakings are commissioned, they should not be counted as partially commissioned. For example, a machinery plant or other plant builds its own power-generating factory; an iron and steel enterprise builds a cement factory and the machinery repair workshop are all in operation, these nonproductive construction jobs for productive construction projects should not be counted as partially commissioned projects (and the newly increased productive capacity for electricity, cement and other products should be included in statistics). However, if the above construction jobs are planned as independent construction projects, then the question as to whether they should be counted as completely or partially commissioned should be governed by the same principle as applying to other independent construction projects.

(3) If a unit undertaking a construction project resorts to some simple expedience of production aside from what is stipulated in the design, and the equipment thus used is already in operation and producing the ultimate or main product of the plant, this project still cannot be considered as partially commissioned. For example, a certain iron and steel plant was originally designed for two large blast furnaces. Before these large blast furnaces are completed, it first constructs several small furnaces and these small furnaces have already started operation. In this case, the iron and steel factory cannot be considered as having been partially commissioned.

(4) If the commissioning of the first part of a project is followed in the same report period by the commission of the whole project, only the complete commissioning is counted, and the partial commission should be left out to avoid duplication.

(5) Before a construction project is completely commissioned, only one partially commissioned project can be counted regardless of the number of production lines (or single-item undertakings) that have been commissioned in the same period.

Single-Item Undertakings Which Have Been Commissioned: To reflect the result of construction more meticulously and in the interest of planned management, the current plans and statistics for capital construction attach great importance to the targets of large and medium projects which have been commissioned, and calls for step-by-step inspection of the fulfillment of the plan. Completely commissioned single-item undertakings, in the case of industrial projects, refer to the workshops or production lines capable of producing the main product as specified in the design, completed according to the design documents, found to be satisfactory after trial operation and acceptance checks, and formally handed over for production. In the case of nonindustrial projects, they refer to the independent projects capable of yielding the main benefits as specified in the design, completed according to design documents, found to be satisfactory after tests, and formally handed over to be used. Generally, a single-item undertaking can be counted only once as a completed project meeting the specification of the design. The commissioning of a single-item undertaking should not be split into several parts for statistical purposes.

4. Projects in the Concluding Phase (briefly called "Concluding Projects"): This refers to those projects which have passed the acceptance checks and been commissioned after attaining the full productive capacity as stipulated in the design, but still requiring some finishing touches. Unless they have passed the acceptance checks and been commissioned, whatever remains to be done, no matter how minor, cannot be considered "concluding projects."

When concluding projects are completed in a report period, they are counted as completed concluding projects.

(Two) Main Classifications of Statistics for Construction Projects

1. Construction Projects Classified According to Their Characteristics

To reflect the orientation of the use of investments and to study the results of investments, construction projects, according to existing conditions in our country, can be classified as new construction, expanded construction, reconstruction, and restoration projects.

New Construction: This refers to projects starting from scratch. [illegible] ever, if an originally small construction project is expanded to such an extent that the original value of fixed assets is increased by 300 percent or even more, it is counted as a new construction project.

Expansion Projects: This refers to new workshops or construction projects by enterprises or institutions with a view to increasing their productive capacity (or benefits) or the productive capacity for new products.

Reconstruction Projects: This refers to those projects undertaken by enterprises for the sake of raising their productivity, improving the quality of their products, or changing the orientation of their production by reconstructing their equipment or making technical changes. Some enterprises may add some auxiliary workshops or undertake some nonproductive projects to make their productive capacity more balanced. These are also considered reconstruction projects.

Construction projects carried out as a result of the removal of plants are called removal projects. These projects (which do not include any part of the work remaining on their former plant premises) should be counted as new construction, expanded construction or reconstruction according to the circumstances.

Restoration Projects: This refers to projects undertaken by enterprises or institutions which have written off their original fixed assets after suffering natural disasters, the ravages of war, or other misfortunes and then invested to resume their former activities. If expansion is carried out during the time of restoration, it should be treated as an expansion project.

For construction projects classified according to their characteristics, there can be only one characteristic for each construction project. Before the completion of the project according to the overall design, its characteristic should remain unchanged. However after the completion of a new construction project according to the overall design, an expansion will be treated as expansion project; if there is reconstruction, it will likewise become a reconstruction project.

Pure purchase units cannot acquire the characteristics of construction, because their activities are limited to the purchase of equipment, tools and appliances and do not call for any expenditure of labor or material. Some construction, though originally calling for certain purchases, needs construction and installation according to the overall design. Therefore, it has the characteristics of construction projects and should be classified accordingly.

Please note that the newly started projects and projects being continued (as described "Projects Under Construction") have no construction characteristic, and must not be confused with those projects classified according to different characteristics.

2. Construction Projects Classified According to Large, Medium and Small Size

The classification of construction projects into large, medium and small sizes reflects the implementation of the policy of "simultaneously carrying out large, medium and small undertakings." It also facilitates management at different levels. According to the stipulations of "Some Views on Strengthening the Control of Capital Construction" of the State Planning Commission, the State Capital Construction Commission and the Ministry of Finance, approved by the State Council, large and medium projects should be approved by the state, while small projects can be approved by the departments concerned under the State Council or by the provincial, municipal, autonomous regional revolutionary committee according to their affiliations.

The different sizes of capital construction projects are determined by the general scope of the construction and the total amount of investment involved.

Industrial enterprises producing only one product are classified according to their designed productive capacities, while industrial enterprises producing many different lines of products are classified according to their main products. When the products are so numerous that it would be impossible to classify the enterprises according to their productive capacities, they should then be classified according to the newly increased designed productive capacity and the entire amount of investment on the expansion.

Some projects of special significance to the national economy, such as those producing goods to serve the whole country, or important projects producing new products by adopting new technology, or those giving timely assistance in developing the economy of remote areas or the areas of national minorities may not be correctly classified as large or medium projects according to the standard of designed productive capacity or the amount of investment. Yet, in view of their role, the state requires that they be treated as large or medium projects, and accounted for accordingly for statistical purposes.

A construction project must be of either a large, medium or small size.

Large and medium construction projects are the backbone undertakings of the state and of great significance in developing national economy. The number of large and medium projects under construction has a very close bearing on the scope of state capital construction. These projects should all be included in the annual plans for capital construction. According to the current statistics system, the number of large and medium construction projects should be included in the statistics every month, and any added or reduced projects, large or medium, should be listed one by one. Besides, the progress of large or medium projects should be reported in the comprehensive statistical form especially for these projects. This comprehensive form should include all large and medium projects that have been incorporated in the state annual plan; all projects under construction that have grown up to large or medium size, but not yet incorporated in the state plan as such in the current year; all projects that have been incorporated in the state plan of the current year as large or medium concluding projects; and all projects that have been suspended.

Newly Increased Large and Medium Projects in the Current Month: This refers to the newly increased large and medium projects under construction. They included newly-started large and medium projects; those projects of the same sizes that have been suspended in the past and are restored in the current month; all small projects that have been expanded into large or medium projects; and all large and medium projects inadvertently left out of previous reports.

Large and Medium Projects Reduced in the Current Month: This refers to the reduction of construction for large or medium projects during the current month. They include large and medium projects that were either suspended or changed to small projects in the previous month.

3. Classification of Construction Projects According to Controlling Departments

Classification of construction according to the controlling departments (also called "controlling system") means the classification of construction projects according to ministries (commissions and bureaus) concerned under the State Council. This form of classification is consistent with planned management and quite important, and necessary for observing the orientation of the use of state investments, analyzing the ratios and effects of investment among various controlling departments of the national economy, and investigating how the plans for capital construction are being carried out.

Classification of construction projects according to "controlling departments" (or controlling systems) is based on the administrative (or professional) connection of the projects to that controlling ministries (commissions or bureaus) under the State Council regardless of the trade or profession. For example, schools under the leadership of the Ministry of Metallurgical Industry, should belong to education if classified according to "trade and profession." However, they belong to the metallurgical department because of classification according to their connection with the controlling department.

4. Construction Projects Classified According to Affiliations

The affiliation of construction projects refers to their direct affiliation to the higher authorities. This form of affiliation is consistent with the system of economic management in our country, and can show how the policy of simultaneously attending to central and local affairs is being implemented. According to the current system of state statistics, the affiliation of construction projects can be reported by filling in three different forms:

(1) Projects Directly Affiliated to the Ministries: This refers to construction projects directly affiliated with the various ministries (commissions or bureaus) under the State Council. Plans for these projects are worked out by the ministries (commissions or bureaus) and directly passed down the lower levels. All rolled steel and equipment required are also directly supplied by the ministries (commissions or bureaus) concerned.

(2) Projects Transferred to Localities and Directly Supplied: This refers to those projects transferred to localities but still remaining under the control of the ministries (commissions or bureaus) under the State Council after 1970. The plans for these projects are jointly worked out after consultation by the ministries (commissions or bureaus) and the provincial, municipal, or autonomous regional authorities, and then passed to the localities concerned. The rolled steel and main equipment required are directly supplied by the ministries (commissions or bureaus).

(3) Local Projects: This refers to projects of the provinces, municipalities, autonomous regions, prefectures and counties. The projects transferred to the localities after 1970 are no longer under the control of the ministries (commissions or bureaus) and the plans and required materials are supplied by the provinces, municipalities or autonomous regions. These are counted as local projects.

5. Classification According to Trades and Professions (formerly called "Trades and Undertakings"): The "Trade and Profession" for construction projects is determined by the type of products after the projects are completed and commissioned, or by the way the completed and commissioned projects are to be used, regardless of the controlling system for these projects. For example, a rolling stock plant and a school of the Ministry of Railway, classified according to trade and profession, should come under machinery and education respectively, but not the Ministry of Railway.

Classification according to trades and professions can accurately reflect the ratio of construction projects between various sectors of the national economy.

Generally, a construction project can belong to only one trade or profession. A project should not be divided into several trades and professions like single-item undertakings. A large integrated complex may have been designed to produce more than two different products which do not come under the same trade or profession. In order to accurately reflect the ratio of investment between different sectors, it should be divided up and listed under separate trades or professions according to each of the single-item undertaking included in the project. If the single public utility items (such as water supply, water drainage, road construction, buildings for dormitories, and so forth) cannot be easily divided into different classifications, then list the main trade or profession of the project. For example, in a large iron and steel integrated complex, such items as iron refining, steel refining, steel rolling and so forth should be included under the category of "smelting and processing ferrous metals"; in an iron mine, such items as extraction and selection of ores and extraction of lime stones should come under the category of "extraction and selection of ferrous metal." Again, in a large petroleum chemical industry complex, oil refining should come under the category of "processing petroleum and natural gases," while synthetic ammonia and chemical fertilizer should be listed as "chemical fertilizer."

(Three) Explanations of Several Targets or Capital Construction

1. Names and Addresses of Construction Projects: The name of a construction project should be completely entered in the form (do not use abbreviations) and cannot be changed. For address, the location of the project should be entered, such as X X Province, X X County (Municipality or Banner). This information will be used as the basis for analyzing the distribution of investments for capital construction as well as the distribution of productive forces among different localities.

2. The Year and Month When Construction Projects Begin: This means the month and the year in which the project is started, or the time when the first phase of a permanent project according to the overall design is begun. This will be used as the basis for computing the length of time required for each project.

3. The Actual Date of Starting Work in the Current Year: This refers to the date when the project actually begins, and will be used as the basis for computing the total number of construction projects being carried out in the current year.

4. The Date of Completion and Commissioning of Construction Projects (briefly called "complete commission date"): This refers to the date when a project is formally handed over for production after its completion and the acceptance check.

5. Date of a Project's Partial Completion and Commissioning (briefly called "partially commissioned date"): This refers to the day in the report period when the first part of a project is completed, passes the acceptance check, and is formally delivered for production.

The dates of complete commissioning or partial commissioning are used as the basis for computing the numbers of completely or partially commissioned projects, as well as for computing the length of time required for these projects.

6. Date of Completion of Work: This refers to the date on which the entire project is completed.

Under normal conditions, the date of complete commissioning and the date of completion of work are the same. However, in some cases, the date of completion is later than the date of commissioning, because a project can be considered completely commissioned when the productive part of the project as specified in the design, or the complete production line is completed, trial operated after the acceptance test, and delivered to the production department. On the other hand, the completion of work means the completion of both the productive and the nonproductive parts of the whole project.

For the concluding projects which have been completely commissioned, only the "date of completion of work," but not the "completely commissioned date," has to be filled in and included in the number of "concluding projects after completion of work" in the statistics.

III. Amount of Capital Construction Investment

Amounts of Capital Construction Investments: This is the amount of capital construction work expressed in terms of money, and a comprehensive indication of the scope of capital construction and the progress of the construction.

The meaning of the amount of capital construction investment is not the same as that of financial appropriations for capital construction. These two must be kept separated. The amount of investment is based on the progress of construction and physical amount of construction computed according to the budgeted prices. Construction materials not used in the physical construction and equipment requiring no installation are not included in the amount of investment. On the other hand, financial appropriations are the actual outlays [illegible] capital construction. Under normal conditions, there is a certain ratio between the amount of capital construction investment and the amount of financial appropriation. Excessive appropriation shows the overstocking of materials and equipment and possible waste.

To show how the party's line, principles and policies concerning capital construction are being implemented, the capital construction projects and the investments must be classified according to a unified requirement. In planning capital construction and working out the statistics, the classification is based on the characteristics, the size (large, medium and small), the controlling departments, the affiliations, the trades and professions, the sources of funds, the use, the component and so forth. The first five criteria of classification are based on the construction projects themselves, and these criteria have been dealt with in the section "Capital Construction Projects." The remaining three criteria are now described as follows:

(One) Classification of Capital Construction Projects According to the Sources of Funds

According to different sources of funds, investment on capital construction can be classified into two major categories, namely, "investments from direct state budgetary allocations" and "investments not from direct state budgetary allocations." The purpose of classifying investments according to the sources of funds is to provide information on the channels through which funds are obtained and to facilitate comparison of the conditions of fulfilling state capital construction plans with the conditions of fulfilling self-financed capital construction plans.

Investments from Direct State Budgetary Allocations (briefly called "State Investment"): This refers to capital construction projects included in state plans (transferred to lower levels by State Council or the State Planning Commission), and financed by state budgetary appropriations, which include the state investment carried over from the previous year.

Investments not from Direct State Budgetary allocations (also called "Self-Financed Investment"): This refers to various types of investments not included in the above category, such as investment on capital construction with funds raised at the provincial, prefectural (municipal) and county levels; or by the enterprises or institutions and their controlling departments.

When a construction project is financed by both state and nonstate investments, these two forms of investments can be divided according to the following principle:

State and nonstate investments are planned for separate parts of the project. Therefore, they should be separately accounted for according to the actual work progress for statistic purpose. When state and nonstate investments are mixed in planning, the total amount of investment actually required should be divided according to the actual work done.

(Two) Capital Construction Investment Classified According to Utilization

The purpose of classification according to the utilization is to show the distribution of investments among capital construction projects intended for different uses. According to the different ways of use, investment amounts can be classified into two major categories: investment on productive construction and investment on nonproductive construction.

Productive Construction: This refers to construction for material production or construction directly serving material production. Productive construction specially includes the following types:

(1) Industrial Construction: For industry and mining, this refers to the building of production workshops, mining shafts, offices, laboratories, warehouses and other industrial structures; and the purchase of machinery, equipment, tools, appliances, and instruments, all for production.

(2) Building Industry and Geological Prospecting: For the construction units and the geological prospecting establishments, this refers to the building of offices, warehouses, and other structures for production or prospecting; and the purchase and installation of equipment, tools and appliances required for construction and prospecting.

For the building industry, it also includes the building of offices for independent surveying, prospecting, designing and other forms of construction, as well as the purchase of equipment, tools, appliances and instruments required for prospecting and designing.

(3) Agricultural, Forestry and Water Conservation Establishments: This includes the building of agricultural farms, animal farms, tractor stations and other construction for agricultural production as well as the purchase and installation of machinery, equipment, tools and appliances required for agricultural production; construction items required for afforestation and the purchase and installation of machinery, tools and appliances for forestry establishments; construction items concerning water conservation, such as reservoir facilities for irrigation, drainage, flood prevention, and dredging; construction items for maritime production such as wharves and other structures required for fishing boats and maritime production; and the purchase of equipment, tools and appliances; and the building of weather stations (or observatories) and the purchase of equipment, tools and instruments.

(4) Transportation and Post and Telecommunication Construction: This includes railways, special rail lines, special trains, highways, bridges for railways and highways, navigation routes and wharves; and the purchase of vehicles, ships, airplanes and the required equipment; the building of houses for postal services (such as post-office and postal center buildings), and the purchase and installation of equipment, tools and appliances required for the postal services; putting up long distance cables and lines; building structures for microwave and radio stations, urban telephone and telegraph services; and the purchase of equipment, tools and appliances.

(5) Construction for Commerce and Material Supply: This refers to buildings required for stores, oil storage, cold storage, and warehouses for commercial goods and other materials; and the purchase and installation of other fixed assets required for commercial activities.

Items (4) and (5) can be called "construction of a circulating nature." The process of circulation is a continuation of the process of production. Therefore, "construction of a circulating nature" should be included in "productive construction."

Nonproductive Construction: This generally refers to construction required for people's material and cultural life. It includes:

(1) Residential House Construction: This refers to houses to be used for residence and the related establishments such as workers' dormitories and students' dormitories.

(2) Cultural, Educational and Public Health Construction: This refers to independent schools, training grounds, stadiums (halls), movie theaters, cultural halls, club houses, bookstores, radio stations (broadcasting centers), and other cultural and educational items, as well as other related items for other departments, such as schools for the workers' children attached to a plant (newspaper printing houses, and factories used for experiments by universities or technical institutes, should be included in "Industrial Construction"); independent hospitals, sanitation centers, clinics, sanitoriums, convalescent homes, nurseries, public health centers, and other related facilities for other departments (such as factory hospitals and factory nurseries).

(3) Scientific Experiment and Research Construction: This refers to various forms of research institutes, experimental centers, laboratories, and other items connected with scientific experiments and research. Experimental factories attached to scientific research organs should be included in "industrial construction."

Construction of scientific experiment and research structures attached to industrial enterprises or communication-transportation units should be included in "industrial construction" and "transportation construction" respectively.

(4) Public Utility Construction: This includes engineering jobs on urban public water pipes, drainage work, disposal of sewage, flood prevention, construction related to the water source, gas, roads, bridges, electric trolleys, public buses, ferries, hotels, guesthouses (restaurants), barber shops, public baths, as well as the purchase and installation of equipment required for tree-planting. It also includes other related nonproductive public utility construction of other departments. However, water supply and drainage serving production should not be listed as "public utility construction." Independent water supply plant should be listed as "industrial construction."

Other Construction: This refers to construction of buildings for administration and management organs at various levels and for other institutions (such as office buildings and so forth) and other construction not belonging to the above categories.

The classification of investments according to the way the projects are used is based on the direct use of single-item undertakings among the construction projects. (Pure purchases unrelated to single-item undertakings should be classified according to the direct use of the items purchased.) For example, among the industrial construction projects, the total investment on (single item undertakings) production workshops (including the building of houses, purchases and installation of equipment, tools and appliances, the charges for the requisition of land for house building, and other expenses included in the budget for these workshops) should be included in productive "industrial construction." Investment on a scientific research institute and laboratory attached to the factory and water supply and drainage for the factory should also be included in "industrial construction." Investment on residential houses is listed as nonproductive "residence construction" and investments on the barber shops, public baths and other construction projects should be included in the public utility construction.

(Three) Classification of Capital Construction Investments According to Their Components

The purpose of classifying the amounts of investments according to their components is to reflect the different contents of capital construction undertakings and the relationship between the capital construction departments and the other national economic sectors. There are three main different categories for investment components: Building and installation; purchase of equipment, tools and appliances; and other types of capital construction.

1. Building and Installation (also called the amount of building and installation work): This includes building (also called the amount of building work) and installation of equipment (also called amount of equipment installation work). This portion of investment must call for the use of manpower and materials, which is a form of productive activity in creating material wealth. This is an important component of capital construction.

Construction Work: It includes:

(1) All types of houses (such as factory buildings, warehouses, dormitories and so forth), structures, pipes (such as steam pipes, compressed air pipes, petroleum pipes, gas pipes, water supply pipes, drainage pipes and so forth), power lines and telegraph lines, that have been included in the budget for the construction work.

(2) The foundations for equipment, supporting pillars, workbenches, staircases, smelting furnaces, cooking furnaces, and various special furnaces and metal structures.

(3) The disposition of construction site, the demolition of former structures, the leveling of the land, geological prospecting as required by the design, other finishing touches to the construction site, tree-planting, and so forth.

(4) Cutting mine shafts, pioneering work for opencut mines, drilling for petroleum and natural gases (but not including the digging of mining shafts, tunnel extension and mine prospecting already covered by the production funds of the mines concerned).

(5) Water conservation.

(6) Special construction for air raid precaution.

Installation of Equipment: It includes:

(1) The assembly and installation of production, power, weightlifting, transportation, gear-driven, medical, experimental and mechanical equipment; the construction of working platforms and ladders attached to the equipment; the laying of pipes and cables for the equipment; thermal insulation and painting the installed equipment.

(2) Trial operation of equipment for the purpose of determining the quality of installation.

2. The Purchase of Equipment, Tools and Appliances: This refers to the purchase of equipment, or the production of such equipment as is up to the standard of fixed assets; the purchase of tools and appliances. The standard for fixed assets is: duration of use, at least 1 year; price, above 800, 500 or 200 yuan (the use of 800, 500 or 200 yuan as the standard depends on the regulations of different departments). All equipment, tools and appliances, either purchased or produced by the newly constructed units or expanded units for their new workshops should be counted as "equipment, tool and appliances."

Equipment is classified into:

Equipment Requiring Installation: This refers to equipment requiring assembling and installation on a prepared foundation or a frame-structure before being operated, such as a rolling machine, power generators and lathes.

Equipment Requiring No Installation: This refers to equipment which can be operated without a fixed foundation or a supporting frame, such as automobiles and locomotives.

Tools and appliances refer to sand castings, forging dies, heat-treatment boxes, toolbenches, measuring tools, various types of instruments and nonproductive appliances.

3. Other Capital Construction: This refers to investments on other construction items not included in the above two categories, such as management expenses and surveying expenses (expenses for surveying and designing by designing units which are different from independent surveying and designing structures; and expenses incurred by the construction units in conducting their own surveys and in purchasing the standard diagram papers), scientific research expenses (such as expenses for scientific research conducted for the purpose of supplying basic data to the designing unit), land requisition expenses, and compensations for buildings, tombs, crops and so forth which have been removed from the construction site, (if the fund earmarked for this purpose is used to build houses for the units which have vacated the land for the construction site, then this expenditure should be classified as investment on "building" and not as "other capital construction" expenses). Expenses for the purchase of houses and cattle, expenses for trial operation of the entire workshop, expenses for training production personnel, expenses incurred by the moving of construction units, expenses for land-reclamation for agriculture and afforestation, expenses for tree planting on a small scale, and expenses for the purchase of furniture for either official or private use in new construction units.

(Four) Methods for Computing Amounts of Capital Construction Investments

In principle, the amounts of capital construction investment should be computed according to the budgeted prices. (Some units use estimates instead of budgets, or only draw up plans without making even estimates. In these cases, the amount can be computed according to the estimated or planned prices). However, in the purchase of nonstandard or imported equipment or other capital construction equipment, the actual prices are usually very much different from the budgeted prices. In order to more accurately reflect the actual scope of the construction, it is permissible to compute according to the actual prices (that is, according to the actual outlay on the purchase of the equipment). In filling in the monthly report form, if the actual prices are not yet available, the budgeted or planned prices can be used, subject to readjustment at the year-end when the actual prices will be available.

There are different methods of computing the components of investment. The methods for computing investment amounts on construction and installation, and the purchase of equipment, tools and appliances, and other capital construction items are separately given as follows:

1. Method for Computing the Amount of Investment on Construction and Installation:

In principle, the computation should be based on the physical amount of construction completed multiplied by the budgeted unit price and then plus a certain proportion of indirect expenses.

(1) The formula for computing the amount of investments on building construction:

Amount of Investment in report period = the total amount of actually completed physical work x various budgeted unit prices x (1 + indirect expense rate).

Amount of Physical Work Actually Completed: This refers to the physical amount of work done according to the budgeted amounts (namely, the various amounts used when the budget is worked out) within the report period.

Budgeted Unit Price: The construction unit price used in the budget for working out the construction diagram is called budgeted unit price. If there is no budget for the construction diagram, the estimated figure or the budgeted figure used in some other similar projects can be used. The budgeted unit prices include the price for the direct use of labor, material and machinery, but not the indirect expenses which should be shared among various projects.

Indirect Expense Rate: This refers to the ratio of indirect expenses to direct expenses expressed in percentage. Since the budgeted unit price does not include the indirect expenses which should be shared among various projects, therefore, in computing the amount of investment, besides using the physical amount of construction to multiply the budgeted unit price, it is still necessary to add the indirect expenses at the indirect expense rate.

(2) The formula for computing the amount of investment on installation work:

Amount of Installation Work during report period = the total of (the physical amount of work completed x the budgeted unit price for various installation work) + (basic wage for the completed work x indirect expense rate).

Since the value of materials constituting the direct expenses in the installation of equipment varies a great deal among different items of equipment to be installed, the indirect expenses required for computing the amount of installation work cannot be the same as those for construction work, for which the entire amount of direct expenses is used as the basis of computation. Instead, it should be computed with the basic wages among the direct expenses as the basis.

In computing the amount of investments on construction and installation work for projects of long durations which has to be computed part by part, or project by project, the computation can be carried out section by section according to work order. For example, in pouring concrete for a large reinforced concrete work, computations can be carried out for such different stages as putting on the moulding boards, tying down the steel ribs, pouring concrete, removing the moulding boards, and so forth.

To simplify computing procedures and to truthfully reflect work progress, the relative parts of items of construction and installation work can be appropriately enlarged or merged and then the enlarged budgeted unit price after the merge can be used to multiply the corresponding physical amount of work. Then the indirect expenses are added to compute the investment. We can also divide construction and installation work into several stages and then compute according to the budgeted value of each stage or according to the ratio of each to the whole budgeted amount.

2. Methods for Computing the Amount of Investment on Equipment, Tools and Appliances: Different methods of computation are used depending on whether or not installation is necessary.

(1) The Method of Computing Investment Amount on Mechanical Equipment, Tools and Appliances When No Installation Is Required:

The equipment, tools and appliances must have been delivered to the warehouse or the designated places of the construction unit and passed the acceptance check before the amount of investment can be computed. The amount of investment on equipment on order, or in transit, cannot be computed even though the money has already been paid.

Ships purchased come under the category of mechanical equipment requiring no installation. Because of the great length of time required for their production, however, the amount of investment can be computed periodically according to the contract.

(2) Methods for Computing on Equipment Requiring Installation: Computation of the amount of investment can be carried out only after the formal beginning of installation. "Formal beginning of installation" is subject to the following three conditions:

1. Work for the foundation of the mechanical equipment has been completed.

2. The diagrams required for the installation are ready.

3. According to normal work order, the machinery and equipment should have been transported to the installation site, unpacked, cleaned, moved into position and then installed, all as a continuous process.

When the above three conditions are met, installation begins and the investment can be computed for every set installed. In the case of a large complex equipment, computation can be carried out by stages.

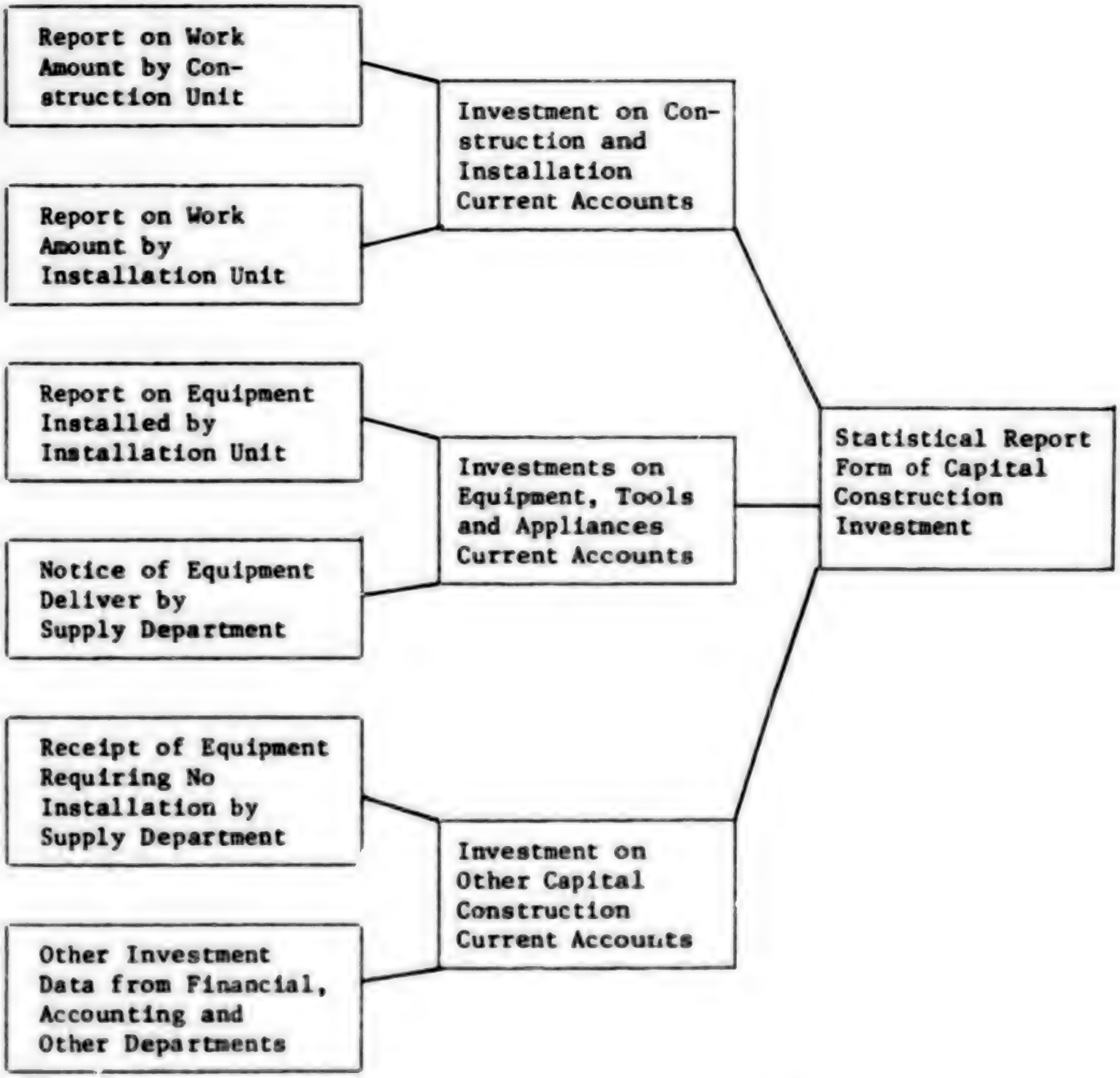
To make full use of the equipment on hand for production, the construction unit can adopt improvised methods of installation. But the investment cannot be computed in this case. However, if no further dismantling or removal of the equipment is necessary computation can proceed.

3. Methods of Computing Investments on Other Capital Construction Items: computed in the same way as state financial appropriations.

The Basis for Computation of Capital Construction Investment and the Sources of Data: Statistical figures on the amount of investment in the basic units should be supplied in time with the close cooperation of the departments concerned. Data for investments on construction and installation work are obtained from the statistics forms of the construction units, while data for investment on equipment requiring installation are obtained from the installation department's installation reports which should be checked against the delivery notice from the warehouse. As to equipment, tools and appliances requiring no installation, the data should come from the equipment receipt of the supply department. The data for the amount of investment on other capital construction should come from the accounting departments or other business departments concerned.

In order that the statistical figures on investment from the basic level units can be received in time, accurately and continuously, the basic level construction units should classify the investments according to their components, set up the necessary current accounts and keep daily records to be revised at the end of each month.

According to what has been mentioned, the basic level construction units should prepare their statistical reports on capital construction investments in the following way:


Report on Work Amount by Construction Unit
Report on Work Amount by Installation Unit
Investment on Construction and Installation Current Accounts
Report on Equipment Installed by Installation Unit
Notice of Equipment Deliver by Supply Department
Investments on Equipment, Tools and Appliances Current Accounts
Statistical Report Form of Capital Construction Investment
Receipt of Equipment Requiring No Installation by Supply Department
Other Investment Data from Financial, Accounting and Other Departments
Investment on Other Capital Construction Current Accounts

(Five) Planned Amount and Total Accumulated Amount of Investments

Total Planned Investment: This refers to the required investment for the completion of construction projects or single-item undertaking. The total planned investment should be entered in the report form according to the estimates attached to the approved preliminary design for construction projects or single item work.

Amount of Planned Investments for the Current Year: This refers to the amount of planned investments for the current year as approved by the higher controlling organs and passed down to lower levels. It should also include the portion originally intended for the previous year, but left over to be continued in the current year.

Total Investment Accumulated Since the Beginning of Construction: This index is mainly intended for comparison with the "Total Planned Investment" so that people can see how the plans are progressing. Therefore, the scope of statistics should be the same as required for the "total planned investment," or the contents of the work stipulated in the overall design.

Total Amount of Investment Accumulated Since the Beginning of the Year: This refers to the amount accumulated from 1 January to the last day of the report month (or season). It includes the investments from the beginning of the year to the preceding month (or season) which has been left out of the previous report; and the investment on projects which have already been scrapped. The investment from the beginning of the year to the preceding month, which has been overreported, should be deducted.

Average Planned Investments on Each Large or Medium Project: This target reflects the changes in the scope of construction for large or medium projects. The specific method of computation is:

Average planned investment on each large or medium project = the total planned investment on each large or medium project under construction ÷ the number of large and medium projects under construction.

The scope of individual projects varies at different times. Therefore, in analyzing the changes in the scope of capital construction, it is necessary to compute the average amount of planned investment for each of the large and medium projects, besides noting the number of such project under construction.

Average Investment on Each Large and Medium Project Completed in the Current Year: The average investment on completed large and medium projects of the current year = investment on completed large and medium projects in the current year ÷ the number of large and medium projects under construction.

This target helps to show if the investments are concentrated. Generally, the ratio between the average investment on each completed large and medium project in the current year and the average planned investment on the same projects shows the time required for the construction of large and medium projects. For example, if the average planned investment on each large and medium project in the current year is 100 million yuan, and the average used investment on each of the same projects is 20 billion yuan, being one-fifth of the planned figure, then the construction cycle for large and medium projects is 5 years.

IV. Newly Increased Productive Capacity of Capital Construction

Newly Increased Productive Capacity of Capital Construction (called "Benefits" for nonindustrial units here and hereafter): This is the ultimate result of capital construction. It is the main index of returns on capital construction investment as well as an important criterion for the state to evaluate capital construction planning, to strike an overall balance, and to work out other plans for national economy.

Newly increased productive capacity from capital construction refers to the newly increased designed capacity through capital construction.

(One) Conditions for Computing Newly Increased Productive Capacity:

1. When the main and subsidiary construction and the main and subsidiary equipment (or the production line) as specified in the designed documents; and the capability of producing part or all the products as designed have been completed.

2. After trial operation and the acceptance check, or after being trial operated and proved to be suitable for normal production (or operation), and then being formally handed over to the production department.

3. When the production line has been basically completed, leaving only some fairly weak production links of secondary importance, or when some improvised methods are used because of incomplete accessories. However, the trial-operation has proved that the project is ready for normal production, and it has been formally transferred to the production department. This is also considered newly increased productive capacity.

Conditions for Disqualification of Newly Increased Productive Capacity:

1. Although the main construction has been completed, it is not ready for normal production, because the equipment is still without accessories or because the required subsidiary construction is not ready for normal production.

2. Although capable of production according to design stipulations, normal production cannot be guaranteed because of improvised methods being used. (For example, when the plant building has not been completed, part of the equipment has to be installed on a temporary foundation; or some substitute equipment has to be used because of the lack of accessories for the main equipment.)

(Two) Criteria for Computing Newly Increased Productive Capacity:

In principle, newly increased productive capacity should be computed according to the designed capacity. Designed capacity refers to that kind of productive capacity normally attainable as stipulated in the design. It is different from the actual capacity which is subject to the effects of technical problems, changes in geological resources, and the supply of raw and semi-finished materials after commissioning.

Adjustment of the designed capacity in the course of construction must be approved by the higher authorities which have approved the original design. Without the approval for adjustment, the original designed capacity should be used along with an explanation for the computation.

When a completely commissioned project, with all production links, meets the requirements for newly increased productive capacity, its productive capacity should be computed on the basis of the total designed capacity. When there is some missing production link but also the proof that the main equipment, its necessary accessories, and the main as well as the subsidiary construction have been partially completed, and handed over to the production department for formal commissioning, only the productivity of the completed portions of the equipment is computed. Reports on newly increased productive capacity of the partially commissioned projects must carry with it supporting data along with descriptions of the completed as well as the not yet completed parts, or the key equipment that is still not ready.

(Three) Some Specific Regulations on Computing Newly Increased Productive Capacity

(1) The current statistical system does not include the newly increased productive capacity of plants or mines that completely or mainly rely on manual production.

(2) The newly increased productive capacity, or benefits, expressed in terms of the capacity, area or length of buildings, such as the structural capacity of residential buildings, hospitals; the capacity of warehouses of commercial and food departments; the length of railways, highways, telegraph cables, oil or gas pipelines; and so forth are without exception computed on the basis of the amount actually completed, and not according to the designed capacity, area or length.

(3) In the case of expanded projects, when there is no overall design (or no data on the designed capacity), the capacity determined on the acceptance check can serve as the basis for computation; that is, the total productive capacity (or the expected annual output) minus the original productive capacity (or annual output) before the expansion; and the remainder is the newly increased productive capacity of the expanded project.

(4) The newly increased productive capacity to be computed must not be confused with the amount of actual output after commissioning. In

computing the newly increased productive capacity, regardless of the month of the current year when the construction project, or the single-item work, which can independently yield its benefits, is commissioned, the productive capacity for the whole year as stipulated in the design documents should be used as the basis. The computation cannot start from the date of commissioning and cannot be based on the actual output after commissioning.

(Four) Scope of Construction; Scope of Work and Totaling of Accumulative Productive Capacity

Scope of Construction: This refers to the total designed capacity or benefits as stipulated in the letter of design assignment and the design documents, such as the total productive capacity of industrial enterprises, the total length of railways or highways, the number of seats for students in a school, and the number of beds for patients in a hospital. For expanded projects, the newly increased productive capacity as well as the total expected productive capacity after the expansion should be reported.

Scope of Work: This refers to the total designed capacity of single-item work in the current year. The scope of work is equivalent to the total designed capacity of the construction projects, minus the designed capacity of the single-item undertaking not yet started in the current year and the capacity of single-item undertakings already commissioned in the preceding year. (The capacity of single-item undertakings commissioned in the current year should also be included in the scope of work in the current year.)

Total Newly Increased Productive Capacity Accumulated from the Beginning of the Project: This refers to the newly increased productive capacity accumulated from the time a project is begun up to the time of reporting. This index reflects the returns on investments since the beginning of the construction project. By comparing it with the scope of construction, we can see how much of the total designed capacity has been attained.

Actual Newly Increased Productive Capacity in the Current Year: This refers to the criterion for computing the actual productive capacity of construction projects after commissioning in the current year including the newly increased productive capacity. This index shows how the construction projects have yielded returns on the investment during the report year. It forms that part of work, carried out and yielding benefits in the same year. In combination with the data of previous years, it can help us study the ratio between the scope of work and the newly increased productive capacity.

V. Newly Increased Fixed Assets

Newly Increased Fixed Assets (also called fixed assets put to use): This refers to the value of a construction project which has been completed and commissioned or put to use, and serves as an overall index for the results of investments on capital construction in monetary terms. It can also give an overall picture of the returns on capital construction investment at different times, by different departments and in different areas. The ratio between newly increased fixed assets and the amount of investment is called the rate of fixed assets utility. Generally speaking, the higher the percentage of value of newly increased fixed assets compared with the amount of investment, the higher the returns to investment.

(One) Conditions and Prices for Computing Newly Increased Fixed Assets

The conditions for computing newly increased fixed assets are the same as those required for computing newly increased productive capacity (or benefits). When single-item undertakings are qualified to be computed as newly increased productive capacity (or benefits), they should be at the same time computed as newly increased fixed assets.

1. When a single-item undertaking, which can play an independent role has been commissioned, or put to use, the value of newly increased fixed assets can be computed.

In industrial-transportation enterprises, even though the productive part of construction has not been completed, the nonproductive part which has been put to use, such as the residential houses, clinics, nurseries and so forth, should form the value of newly increased fixed assets.

The value of newly increased fixed assets should include the total value of the construction put to use, that is, the total value of what is constructed during the report period in addition to what was constructed before but put to use during the report period.

2. Equipment, tools and appliances not requiring installation should be counted as newly increased fixed assets at the time of their being put to use.

3. Regulations for Adding Other Capital Construction Expenses to the Value of Fixed Assets:

(1) Management expenses of construction units, prospecting and designing expenses, scientific research expenses, compensation for land requisition and removal and so forth, should be included in the value of fixed assets when the project concerned is put to use. If these expenses were incurred

by the whole plant (or by more than two single-item undertakings), the newly increased fixed assets, at the time of computation, should be divided into proportionate shares according to the number of installments of commissioning.

(2) The purchase of houses and cattle should be included in fixed assets at the time they are handed over to the departments using them.

4. Following Capital Construction Investments Should Not Be Included in Newly Increased Fixed Assets:

(1) The value of purchases of equipment, tools and appliances that do not meet the requirements for fixed assets.

(2) Expenses for training production personnel and for the removal of construction organizations.

(3) Investments on "under construction projects," or scrapped projects, which have been transferred to capital construction of outside units, and canceled in financial accounting.

(4) Investments on afforestation by the forestry departments, on land reclamation by agricultural reclamation departments, and on timber forests, firewood and charcoal forests, and landscape forests by other departments.

The prices used for computing newly increased fixed assets should be the same as those used for computing the amounts of investments used.

The newly increased fixed assets in statistics are different from the fixed assets put to use in accounting: The prices used in statistics for newly increased fixed assets are for the purpose of comparison with the amount of investments used so as to show investment results. Generally, the calculations are based on the budget prices (nonstandard equipment, foreign imported equipment and other capital construction are calculated according to the actual prices). In accounting, however, the value of fixed assets is based on actual prices. In order to promptly show the results of investment through statistics, the value of newly increased fixed assets is calculated at the time they are put to use; on the other hand, accounting must wait until after the final accounting of the construction before calculating the value of fixed assets, and this takes place much later.

Regulations for the statistical classification of newly increased fixed assets are the same as those used for classifying investments.

(Two) Accumulative Total of Newly Increased Fixed Assets

Total Newly Increased Fixed Assets Accumulated from the Very Beginning: This refers to the grand total of fixed assets from the beginning of construction up to the report time including those fixed assets put to use every year.

Total Newly Increased Fixed Assets Accumulated from the Beginning of the Year: This refers to the grand total of fixed assets from 1 January up to the report month, including those that have been put to use every month.

VI. Areas of House Building

House building is a component of capital construction. The area of house building is an important target for judging the actual physical progress of house building as well as the rate of completion.

(One) Scope for Computing the Area of House Building

The area of house building starts from the outer side of the house wall, including the area taken up by the structure of the house (such as the walls and pillars) and the basement. For multiple-story houses, computation is based on the grand total of floor space.

The area of house building includes:

The area of floors between stories, the balcony which projects out of the wall, the threshold, and the sunning platform within the walls; underground or cave workshops, warehouses, stores, train stations, command posts and similar structures; covered bridges, coal chutes covered by roofs and supported with pillars, corridors and similar structures.

It does not include small yards, sunning platforms outside the walls, flat roofs, steps leading to the house entrance, semi-circular pillars, staircases outside the house and so forth. Temporary houses built with indirect funds are also not included.

(Two) Areas for Starting Work, for Work in Progress and for Work Conclusion in House Building

Area for Starting Work in House Building: This refers to the area for starting work during the report period. It does not include the areas of houses started in the previous period and carried over to the report period to be continued, or the area of those houses the building of which was suspended in a previous year and resumed in the current year.

Area for Work Conclusion: This refers to the area occupied by completed houses.

(Three) Classification of Houses According to Different Structures

Different types of house structures are based on their weight-bearing structures (such as roof beams, pillars, walls and various types of frames), and the main materials they are made of. They are generally classified as: Steel and iron structure, reinforced concrete structure and mixed structure. (The weight-bearing structure is usually made of reinforced concrete, bricks or wood), brick and wood structure and other structures.

(Four) Classification of Houses According to Their Uses: The use for which houses are built is determined at the time of designing. If they are used for more than two purposes, they are classified according to their main use for statistical purposes.

1. Factory buildings: This refers to factory buildings for production, including the main workshop, auxiliary workshop and the annex.

2. Warehouses: This refers to the warehouses of factories for finished or semifinished projects, raw and semifinished materials, as well as warehouses for transportation, commercial, food, supply and marketing, foreign trade and other materials.

3. Commercial business houses: This refers to the store of commercial, food, supply and marketing, service and other departments as well as their retail departments.

4. Offices: This refers to the offices used by enterprises, institutions, government, organizations, and other units and undertakings.

5. Residence: This refers to living accommodations, such as workers dormitory, students dormitory and so forth.

6. Schools: This refers to the classrooms, libraries, laboratories, stadiums, exhibition halls of various types of schools, and other buildings related to education.

7. Scientific Experiment and Research Rooms: This refers to independent scientific experiment and research structures or scientific experiment and research rooms of enterprises or other business institutions.

8. Houses for Medical Structures: This refers to various medical structures, such as wards, clinics, laboratories, dispensaries, mortuaries and so forth.

9. Others: This refers to those not belonging to the above categories, such as auditoriums, clubhouses, mess halls, garages, guesthouses.

(Five) Value of Completed Houses: This refers to the total value of houses completely built in the report period. Such value is generally based on the budgeted prices.

(Six) Construction Prices of House: This refers to the average investment for every square meter of a completely built house. The formula of calculation is:

$$\text{Construction Price} = \frac{\text{Value (in 10,000 yuan) of completed house during report period}}{\text{Area (in 10,000 sq meters) of completed house during report period}}$$

VII. Main Analysis Targets for Statistics on Capital Construction Investment Returns

To reflect the implementation of the general line for socialist construction and the policy of concentrating our resources where they are really needed in capital construction, besides setting targets for building new fixed assets, newly increased productive capacity, completed houses, projects and single-item undertakings for reflecting the returns on investments, it is also necessary to correlate these targets with those concerning the amounts of investments and the scope of work in order to calculate the results of investments for statistical purposes. There are mainly nine targets for analyzing investment results for this purpose as follows:

(One) Rate of Putting Fixed Assets To Use: This refers to the ratio of newly increased fixed assets within the report period to the amount of used investment in the same period in percentage. The formula of computation is:

$$\text{Fixed Assets Utility Rate} = \frac{\text{Newly Increased Fixed Assets in Report Period}}{\text{Total Investments Used in Report Period}} \times 100 \text{ percent}$$

(Two) Rate of Construction Projects Being Commissioned: This refers to the ratio between the number of completely commissioned projects during the report period and the number of projects under construction in the same period in percentage. (Computation can be either based on the total number or the number of large and medium projects separately.)
The formula of computation is:

$$\text{Rate of Completely Commissioned Projects} = \frac{\text{Number of Completely Commissioned Projects During Report Period}}{\text{Total Number of Projects under Construction during Report Period}} \times 100 \text{ percent}$$

(Three) Rate of Area of Completed Houses: This refers to the ratio of completed houses in report period to the area of houses under construction in the same period in percentage. The formula of computation is:

$$\text{Rate of Area of Completed Houses} = \frac{\text{Area of Completed Houses During Report Period}}{\text{Area of Houses under Construction in Same Period}} \times 100 \text{ percent}$$

(Four) Rate of Generated Productive Capacity: This refers to the ratio of newly increased productive capacity in the report period to the scope of work in the same period. The formula of computation is:

$$\text{Rate of Productive Capacity} = \frac{\text{Newly Increased Productivity in Report Period}}{\text{Scope of Work in Same Period}} \times 100 \text{ percent}$$

(Five) Newly Increased Productive Capacity for Every 100 Million Yuan Among Common Trades and Professions: This refers to newly increased productive capacity generated by every 100 million yuan among various trades and professions. The formula of computation is:

$$\text{Newly Increased Productivity for every 100 Million Yuan} = \frac{\text{Newly Increased Productive Capacity in Report Period}}{\text{Investment in (in 100 million yuan) Same Period}}$$

(Six) Investment for Unit Productive Capacity: This refers to the newly increased unit productive capacity of completely commissioned projects or single-item undertakings. The formula of computation is:

$$\text{Unit Productive Capacity Investment} = \frac{\text{Total Investment on Certain Project}}{\text{Newly Increased Productive Capacity of Certain Project}}$$

(Seven) Construction Duration: This refers to the duration of time from the beginning of a certain project to its complete commissioning. If the project has been suspended in the course of construction, the duration of work stoppage should be deducted.

(Eight) Expected Duration To Reach Designed Capacity: This refers to the length of time required for a project after being completely commissioned to attain the actual design capacity.

(Nine) Duration for Investment Recovery: This refers to the duration of time beginning from the date of commissioning to the time when a project has yielded a total accumulated amount (profit and tax) equivalent to the total investment.

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CAPITAL CONSTRUCTION

BRIEFS

NEI MONGGOL HOUSING CONSTRUCTION--New residences having a total floor space of 1.4 million square meters were built across the Nei Monggol Autonomous Region in 1979. This is the year in which Nei Monggol topped the previous peak of housing construction over the past 10 years and more. At present, more than 20,000 urban residents throughout the region will move into the new homes successively. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 28 Jan 80 SK]

CSO: 4006

DOMESTIC TRADE

SALES EXHIBITIONS PROMOTED TO LINK PRODUCTION AND SALES

Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 17, 33-35

/Article by Yang Shengming [2799 5110 2494]: "We Should Vigorously Develop Sales Exhibition Activities for Industrial Products"/

/Text/ The recently concluded National Sales Exhibition for New Light Industrial Products was the first nationwide large-scale sales exhibition activity since the founding of the nation. There were over 3,000 products exhibited, rich and varied, some for exhibit and some for sale, some industrial and some commercial, flexible and diverse. It was done quite well. This has contributed to the vigorous promotion of product quality on the light industrial front this year, to a large-scale inspection, exchange and comparison and appraisal of a variety of products, and to the 30th anniversary of the founding of the nation. The sales exhibition enabled people to inspect and learn from each other's work and study each other, to learn from the strong points of others to offset their own weaknesses and to improve together. This is a new form for resolving the contradictions between supply, production and sales, for promoting the increase in varieties in light industry, for raising product quality, for accelerating the pace of development and for better satisfying the needs of the people. However, some comrades feel that for industry to carry out sales exhibition activities and extend its hand into commerce is "not attending to one's proper duties"; and still other comrades feel that this is an expedient device for taking care of excess inventories and should not be promoted vigorously. We feel that the carrying out of sales exhibition activities by industrial departments has many advantages and deserves vigorous promotion.

Industrial departments engaging in sales exhibition activites did not develop by accident. It is a necessary consequence of contradictions between supply, production and sales which developed in economic activies.

For a very long period in the past we carried out the so-called "determine sales by production," also called unified purchase and guaranteed sales. Whatever the factory produced, commerce would buy it, and in the quantities produced. Under these conditions, industrial departments neither strove to improve product quality or increase the number of varieties nor did they carry out any sales exhibition activities. They rested themselves on top of commerce and passed their days "comfortably." In the meantime, a large excess inventory formed in the commercial departments. The stocks of some commodities are alarming. They could almost be sold for 5, 6 or even 10 or more years. Practice has proven that "determining sales by production" is a one-sided metaphysical viewpoint which cuts apart the dialectical relationship between production and circulation, makes unilateral and absolute the determining role of production on circulation, and denies the counteraction of circulation on production.

However, once we have negated "determining sales by production" and stressed "determining production by sales," problems of another kind appear in the linkage between industry and commerce. Goods demanded by commerce decline greatly, causing many light industrial and textile products to pile up, factories to cease work and production and production plans to be shelved time and again. For example, last year the system of the Second Light Industry Bureau of Shanxi Province produced an output value of 1.2 billion yuan, but when industry and commerce were linked at the beginning of this year, commerce only wanted 300 million yuan in goods. Of this year's planned output value of 1.17 billion yuan, only 600 million yuan had been realized by the end of August. The factories are operating below capacity, with the result that production in one quarter fell 23 percent compared to the same period last year and January to August output fell by 9.2 percent. Because production and sales plans were not linked in Guangxi, a great reduction in output was created in the four major industries of plastics, leather, clothing and hardware. In addition, enterprise factories in some places were in a state of ceasing production or halfway ceasing production because industry and commerce were not well linked. It is just as Comrade Stalin pointed out: "To have production with no outlet for sales is to send industry to its demise."* Since we have put "determining production by sales" into practice, life has become easier for commerce but industry cannot bear it. Practice proves that "determining production by sales" doesn't work either. Just like "determining sales by production," "determining production by sales" is a one-sided metaphysical viewpoint which cuts apart the dialectical relationship between production and circulation. It inappropriately exaggerates the counteraction of circulation and considers it an exclusively determining thing.

"Determining sales by production" doesn't work, and "determining production by sales" won't do. What is the way out? Looking at the situation where some products are commercially unsalable and factories accumulate inventories, many industrial departments and comrades in the factories have raised the following kind of question: Are our products genuinely in excess? Do the people need them? The answer to both is "negative." Wherein lies the problem? Difficulties and contradictions spur industrial departments to seek ways out. In consequence, many industrial departments link up with commercial departments on their own volition and propose carrying out sales exhibition activities. They hope that through the sales exhibitions they may really clarify what things the people really do need in their daily life, and arrange production in accordance.

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* "Collected Works of Stalin," Vol 6, p 144.

Production in the second light industry fell in many places during the first half of this year, but in Wuhan Municipality it actually rose greatly, by 12 percent or more over the same period last year. This is mainly because, under the leadership of the Provincial and Municipal CCP Committees, they actively opened up the channels of commodity sales and vigorously developed self-sale by industry, turning many commodities from sluggish to very active sales. In April they held a sales exhibition, inviting participation by representatives of 20 provinces and municipalities and 55 counties. In the 10 days of the exhibition, the sales reached beyond 4.7 million yuan. In June they also participated in the Hubei Provincial Light Industrial Product Sales Exhibition, selling 540,000 yuan. The light industrial product sales exhibition held by Anhui Province exhibited over 2,000 products with over 10,000 varieties and a business volume exceeding 28 million yuan. In the first half of the year there were 10 comprehensive or specialized sales exhibitions held by the second light industry bureaus of districts /prefectures/ or municipalities, exhibiting 15,779 varieties and with a sales volume of 3.27 million yuan. Industry carrying out sales exhibition activities enabled many factories to "empty their bowels." Production tasks were changed from half hungry and half full to completely full, and they opened the throttle.

In light of the above situation, sales exhibitions by industrial departments are not an optional matter. We cannot get along without them. They are a necessary consequence of the development of contradictions between supply, production and sales and are an effective method of resolving disjointings between supply, production and sales. They are a good form for promoting the development of production.

Production and circulation are two different links in the process of social reproduction. They are located in different places and play different roles. Therefore there should be a division of labor between industrial production departments and commercial circulation departments. Industry should mainly do a good job in production, while commerce should mainly do a good job in circulation. Yet there is no chasm gaping between production and circulation. The two interact together and are closely linked. They cannot be artificially cut apart. When we affirm that production determines circulation, we must definitely not forget the countereffect of circulation on production. We must stress that industry and commerce are one family and that commerce must actively support industry and promote the development of production. On the other hand, when we stress the countereffect of circulation on production, we cannot one-sidedly exaggerate the role of circulation and definitely cannot forget the determining role of production on circulation. Likewise we must stress that industry and commerce are one family and that industry must support commerce and promote the development of commerce. Because production and circulation interact with each other, the production departments must be concerned with circulation and with markets. The commercial departments must be concerned with production and understand it. When the industrial departments use a certain amount of energy to carry out sales exhibitions, or when they hold sales exhibitions together with commercial departments, this is precisely a sign that they are concerned with circulation and markets. Units such as the light industrial departments of Wuhan Municipality and the Second Light Industry Bureau of Shandong Province persist in grasping production in one hand and sales in the other. They have generally developed their professional work in product exhibition and sales and have achieved marked results. Not only did this not sabotage the division of labor between industry and commerce, it precisely brought closer relationships between the two. Some foreign factories use one-third of their personnel in sales, using sales to promote production. We can make much use of their rather good experience.

The aim of socialist production is to satisfy to the maximum extent the continually increasing requirements of the people's livelihood. The ultimate end of either our industry or our commerce is not to produce for the sake of production or to circulate for the sake of circulation. It can only be to satisfy the requirements for the material and cultural livelihood of the people. If we divorce ourselves from the needs of the people, any production or circulation will be entirely meaningless. Therefore, under our socialist system, we can neither "determine sales by production" nor "determine production by sales." We must "produce according to needs," that is, organize production and circulation according to the needs of the people. We cannot draw an equals sign between the "sales" part of the "determine production by sales" currently stressed by the commercial departments and the needs of the people. A few sentences from some people in some factories is hardly representative of the people's needs. Practice has shown the slogan of "determine production by sales" to obstruct the development of production. It should be tossed out and replaced with the slogan "produce according to needs." The contradictions between industry and commerce are secondary to those between production and needs. The resolution of the contradictions between industry and commerce is not an end in itself but a demand that the two develop in a coordinated fashion so as better to meet the needs of the people's livelihood.

To satisfy the people's needs, we must first understand what they are. The scope, level, composition and laws of change of residents' requirements are all comprehensible. Of course, we must have a clear understanding of these requirements and that's not something easy. The commercial departments are a link between production and consumption and naturally bear the main burden in coming to understand the requirements of residents, but the industrial departments cannot shirk this duty. Industry and commerce should join hands in commonly finding out the requirements of residents. In the past, industrial departments did not go out to find out these requirements, but listened to a person from the commercial departments stationed in the plant. But this person did not delve into investigation and study but relied on subjective voluntarism to do things. This invariably created a disjunction between production and needs. With sales exhibition activities, production departments and commercial departments can directly hear the opinions of the consumers and determine the direction of the market and the concrete conditions of the contradictions between production and needs. This helps them correctly handle the contradictions between production and needs and better satisfy the needs of the people.

All kinds of products can be exhibited and sold. Through sales exhibitions, the masses can find out the quality, design and characteristics of overstocked goods. This facilitates their marketing. During the first half of this year the second light and commune industries in Shandong Province together sold over 250 million yuan, of which over 100 million yuan were disposals of overstocked goods. The contradiction between industry and commerce for new products is always rather large and the masses do not know the products, so one should first of all carry out a sales exhibition to let the consumers appraise them directly and arrange production according to the opinions of the consumers, to avoid the conditions where commerce refuses to accept the product and it takes a long time to begin production. In the exhibition and sale of ordinary commodities, the method may be used wherein the masses submit tenders. Production should be actively organized for anything that the masses submit a large number of tenders for. Whatever the masses submit few or no tenders for should be produced in small amounts or not produced. In this way production can be organized according to the needs of the masses and the things which arise from production can correspond to the needs of the people.

Sales exhibition activities are also a good form for combining plan and market. A socialist economy is a kind of planned commodity economy. In this kind of economy, the market plays an extremely important role outside that of the plan. Except for a small number of important products related to the economic lifeline of the nation which need a directive plan from above to below, a directive plan should not be done for most products. These may be regulated by a market mechanism. Both industrial departments and commercial departments should thoroughly make use of the market. In enlarging the right of self-determination of industrial enterprises, we must give them a certain right over sales. In the past, industrial departments had no rights over sales and they did not go out to find out about the market, but worked behind closed doors. While not producing what the masses need, they produced large amounts of what they don't need and made a disjunction between production and needs. The commercial departments also lacked research and study of the market and were prone to creating a condition where place A was out of stock while place B had excess inventory. They changed the amount of goods they wanted from moment to moment. Just after saying there was an overstock they would say the next instant that it was sold out and press the factories to bring them the goods. This could not help but exacerbate the contradiction between industry and commerce. Now when the industrial departments hold sales exhibitions, they come to have an understanding of market conditions and have some grasp of the amount of goods the commercial departments need. One can also invite representatives from many areas to participate in a sales exhibition, not only locals but also outsiders. This helps different places to supply each other's needs and adjust surpluses and deficits. For example, when the commercial departments would not purchase the locks made by the various enterprises of the Yantai District Second Light Industry Bureau Lock Company, the company advertised and held a sales exhibition. Many second and third level commercial merchandise stations directly ordered the goods. Not only were the old channels dredged out, but new markets were opened up. The overstocked locks were all sold, and the supply of some locks could not even meet the demand. This opened the eyes of industrial departments and commercial departments as well. Domestic and foreign trade departments took the initiative to propose increasing the amount purchased. The market situation turned for the better and greatly promoted the development of production.

A sales exhibition is a good forum for mutual study. After seeing the National Sales Exhibition for New Light Industrial Products, comrades from places such as Henan, Sichuan, Liaoning and Jilin said that the exhibition was an eye opener. They saw the strong points of fraternal regions and searched to find out what made the difference. "Don't fear not understanding the good; fear a comparison of one's goods with another's." Some products were felt to be quite all right within one's province, but when they were compared with those of other places at the exhibition, they did not make the grade. A comrade from Jiangsu Province said that some products which were known as rather good within his province, such as clothing, furniture and plastic goods, did not match those of fraternal provinces and municipalities in quality, design or packaging. As a result, some goods where not even put on display. Comrades from Harbin said that the exhibition was a big review of the troops. Their attitude is "serve, await, study, promote." The sales exhibition activities of various areas thoroughly prove that these exhibitions greatly promote socialist labor competitions to emulate, learn from, catch up with, help and in turn surpass each other, and they forcefully promote the development of production.

In order to carry out sales exhibition activities even better we must continue to emancipate the mind and do away with the old conventions where industrial departments only look after production but not sales, where the plan is relied on to the exclusion of the market and where "firm boundaries are drawn." Sales exhibition activities are best held jointly by industry and commerce. Some will focus on industry, some on commerce. There must be many types of sales exhibitions, some comprehensive ones where products of various kinds are exhibited and some specialized ones. They can be carried out within a province or municipality, or they can cross administrative lines and be held jointly by several provinces. They can be either one-shot or regular affairs. An exhibition may be held for 10 days or 20. Recurrent exhibitions require an exhibition organization and retail sales department to be set up with their own full-time or adjunct staffs. The problem of funding can be taken care of with bank loans. If industrial, commercial and financial departments and the banks join together and help each other, industrial product sales exhibition activities will certainly be able to develop even better.

11723
CSO: 4006

FOREIGN TRADE

SHANGHAI FOREIGN TRADE FIGURES GIVEN

Shanghai JIEFANG RIBAO in Chinese 22 Dec 79 p 1

[Article by staff correspondent Chen Xueyong [7115 7185 6978]: "Shanghai Port Sets a Record of Foreign Trade"]

[Text] This year, the Shanghai port has made a new stride in foreign trade. According to a preliminary estimate, the total value of exports for the year may fulfill about 129 percent of the plan, over 24 percent higher than last year's actual export figure. The municipality's plan for the purchase of export commodities is overfulfilled, about 30 percent higher than last year. Both have attained the highest level on record.

This year, two 1,000-people work conferences were held in this municipality. The departments of production and supply of goods in the municipality made efforts to improve the quality of products, increase the number of patterns and varieties of goods and reform their packaging and decoration, and strengthened the force of competition of export commodities on the foreign markets. A batch of goods made in Shanghai for export, such as the Leaping-carp Brand printed cotton cloth, the Pagoda Brand artificial cotton yarn, the Sea Snail Brand shirts, the Progress Brand rubber shoes and the Flower and Bee Brand sandal wood toilet soap, were well received abroad and became commodities of popular brands. The supply of many commodities could not meet the demand of foreign markets, such as the Mai-er gauze, round net calico, imitation waxed calico, fast dyed cloth, enamelled crucible and bicycle parts.

At present, Shanghai's foreign trade is featured by the following: The areas of trade have been further expanded. At present, there are over 150 countries and regions having trade transactions with Shanghai. The number of clients is also increasing continuously. On the basis of mutual trust, a considerable number of customers have established stable trade relations of supply and marketing with Shanghai. Shanghai has also enlarged rapidly the categories of commodity for export. In addition to products of light and textile industries, handicraft and agricultural products, animal products and native products, many categories of industrial products are also exported in fairly large quantities, such as machinery, industrial chemicals, medicine and electric meters and instruments, and are well received by buyers abroad. Electronic products also begin to enlarge their supplies for export, with favorable response from abroad. The variety and quantity of imported goods, purchased directly and discharged for transshipment, are also increasing.

Beginning from last year, all foreign trade departments boldly drew from the experience of foreign countries, positively adopted methods compatible with conditions of our country and in conformity to the general practice of international trade, and conducted business in more flexible forms. They are now engaged in such business as accepting orders from abroad for the work of processing and assembling and for cooperation in production, compensation trade and joint operation of factories with Chinese and foreign capital. In over 1 year, foreign clients have asked Shanghai to process and assemble scores of varieties of goods, including textiles and piece-goods, clothing, electrical appliances, industrial chemical products and electronic products.

9039
CSO: 4006

FOREIGN TRADE

INTERNATIONAL ADVERTISING FIRM NAMED AGENCY FOR PRC

McCann-Erikson International

Hong Kong SOUTH CHINA MORNING POST in English 3 Feb 80 p 1

[Report by Tom Ashbrook]

[Text] The advertising firm that wraps the world in ads for Coca Cola, Exxon, General Motors and Nestles has taken on another giant client — China.

Representatives of McCann-Erikson International, the world's largest international advertising agency, came out of China yesterday with a signed agreement naming their firm the "primary agency" for China's two major advertising groups.

The Peking Advertising Corporation and the Guangdong Advertising Corporation have signed the agreements which will make McCann-Erikson their principle agency for international advertising in China and the United States.

And an understanding has been reached that the role of the agency will eventually be extended to include Europe.

The Shanghai Advertising Corporation is expected to sign a similar agreement with the agency soon.

The three Chinese advertising corporations are responsible for foreign advertising in China and for advertising Chinese products abroad.

McCann-Erikson has entered into a joint venture for the China account with Jardines.

The joint venture company, McCann-Erikson-Jardines (China) Ltd, claims to be the only international advertising agency with an office in China (it is in Peking).

As part of the agreements, the agency will handle advertising for the Chinese tourist industry when they commence advertising in the US.

A spokesman for the agency said yesterday that a small poll of high income Americans in New York, Boston and Chicago indicated great interest in China tourism.

Three out of four people interviewed expressed a "strong desire" to visit China.

Those interviewed said they were primarily interested in meeting the people of China.

Complementing that interest is the promotional angle sought by the Chinese.

"They want to promote themselves as great friends of the United States," the spokesman said.

China will be presented as a land of special social warmth, a long history and many unusual sights.

Americans will be introduced to a variety of Chinese goods as well.

Food products, light industrial goods and textiles are expected to be major export areas.

An agency spokesman said Chinese goods are little known in the US, but that their general reputation is good.

The perception of quality is related, he said, "to the historical abilities of the Chinese as superior craftsmen, especially in porcelains, textiles and rugs'"

Meanwhile, American goods are already being promoted by the agency inside China.

The agency's advertising emphasis inside China is on the benefits of America's high technology.

One hoarding, just outside Tien An Mien Square, holds large pictures of Kodak products at work.

On one side, a towering oil rig drills deep in search of new crude.

On the other, American astronauts walk on the moon.

Another Firm Also Operating

Hong Kong SOUTH CHINA MORNING POST in English 8 Feb 80 p 15

/Letter to the editor/

/Text/

I BELIEVE that the story on an international advertising agency's recent agreement with the People's Republic of China is misleading in that it implies that they are the first agency to become involved with the PRC on a formal basis (SCM Post, February 3).

Our company has been working closely with two of the PRC's trading corporations for almost 18 months now, and to date, we have already developed and placed advertising on their behalf in a number of overseas countries.

These advertising programmes have involved coordination with Ogilvy and Mather International offices in the US, Europe and Africa.

We have also developed and placed advertising in China for six major international companies and substantially more is planned for this year.

HARRY REID
Managing Director
Ogilvy and Mather
Hongkong

CSO: 4020

BICYCLE EXPORTS RISE SHARPLY

Shanghai WEN HUI BAO in Chinese 20 Dec 79 p 1

[Article by staff correspondent Chen Zhihong [7115 1807 7703]: "This Year's Bicycle Exports Increased Sharply by More Than Double"]

[Text] The Shanghai Municipal Bicycle Company made its best effort to grasp well the making of products for export. This year, the total output of bicycles may reach 3.41 million sets, including 550,000 sets for export, more than doubling that of last year.

From the beginning of this year, in close coordination with the Shanghai Branch Company of the Light Industrial Products Import and Export Company, the said company held business negotiations and exchanged techniques directly with the foreign merchants, and gathered extensive information on the demand for bicycles in some countries in Europe and America. To earn more foreign exchange and activate the export business, they worked in accordance with the buyers' requirements and tried by all means to do whatever they could in order to satisfy their clients, regardless of the size of an order, whether for complete sets or for parts only.

To explore the export market, all factories subordinate to the Shanghai Municipal Bicycle Company gave priority to the quality of products. The Bicycle Factory No 3 aimed at the weak links in its technology, made efforts to overcome the shortcomings and further solved its problems of quality on the strength and precision of the frame, the overflowing and water marks of paint and the polish of electroplated surface. The factory has continuously maintained its leading position at the national assessment and competition on the quality of bicycles. From this year, all bicycle factories set up separate files of information, sorted out and classified letters and suggestions from their customers, sent them to workers' groups in the workshops and made routine checks every month. Recently, the bicycle factories laid down quality standards higher than those announced by the ministry to all enterprises.

To expand export, from this year the company has also energetically introduced new varieties and quickened the up-grading and the changeover to a new generation of products. They observed the demand of the markets, readjusted their layout, coordinated operation into a complete process of manufacture, designed and turned out 14 new patterns of complete sets of bicycles and 6 new varieties of parts, 10 of the former and 3 of the latter are being manufactured in quantity. The Yongjiu Brand SC67 Model 27-inch multi-speed bicycle has a 5-free-wheeling and 10-speed device, is made of an alloy of manganese steel and aluminium with high strength and light weight, may change freely into 10 speeds according to needs, and has received praises from foreign merchants. The Fenghuang [Phenix] Brand QE 81, 82, 83 and 84 Model light bicycles are of a new and fine looking style, painted in brilliant colors and made for easy and fast riding.

9039
CSO: 4006

DANISH FIRM SIGNS JOINT VENTURE PACT FOR SHIP CONTAINER PLANT

Copenhagen BERLINGSKE TIDENDE in Danish 16 Jan 80 p 11

[Article by Erik Bendt Rasmussen: "Cooperation Between Denmark and China on Joint Production"]

[Text] The Ostasiatiske Kompagni (OK) is the first Danish company to conclude a contract with the PRC regarding cooperation on production in China. The OK is to cooperate economically with the nationalized company China Merchants Steam Navigation Co., Ltd. and Sea Containers Inc., of the United States, in building and operating China's first ship container factory. The contract was signed on behalf of the OK by Director H. Sparso, in Hong Kong, where the PRC's China Merchants Steam Navigation company is registered. The factory is being located in the She-Kou industrial area in the Guangdong Province in China, only 50 km from Hong Kong. The enterprise is being given the name of China International Marine Containers Ltd., and capital investments will be more than $10 million. The factory has an area of 25,000 square meters, and production is expected to begin in 1981.

At present, the OK is taking part in the modernization of the port of Shanghai, and that work includes the building of container terminals, among other things. The OK has had considerable experience in handling containers, and it is that experience which resulted in the company's getting to help with the container factory. The American Sea Containers firm was included in the contract for cooperation because that company has had a lot of experience in renting containers. The firm has 155,000 containers for use on ships. The OK is out ahead in container transportation with China because of the jointly owned and operated shipping company Scan-Dutch, participating in it with the "Jutlandia" and "Selandia" ships. Furthermore, the OK conducts container shipping operations to and from North America and west Africa. The OK is included in the cooperative work concerned with the new factory because of that company's good trade relations with the PRC and its experience with container operations, and Sea Containers is included because of that firm's knowledge of the renting of containers. The effort to build up container production in China should be looked at in connection with the government's endeavors to modernize the exporting and importing of freight. The partners involved in the new container factory project do not want to reveal how the payments of capital are actually distributed among them.

9266
CSO: 3106

FOREIGN TRADE

NEW HONG KONG AIRPORT ON PRC SIDE OF BORDER WEIGHED

Hong Kong SOUTH CHINA MORNING POST in English 5 Jan 80 p 8

/Text/

A proposal to build a new commercial airport at Deep Bay on the Chinese side of the border has drawn mixed reactions from airline officials.

And the detailed plans put together by an unnamed syndicate of Hongkong, American and overseas Chinese businessmen, have apparently not yet been placed before the Civil Aviation Department.

A department spokesman said he has no knowledge of the proposal.

Airline officials see an airport in that location as having some major benefits, principally that the land in the area is flat and not surrounded by mountains, thus making operations safer.

They also point out that there would be room for expansion in the area; that, given good roads, the location would be excellent for serving Canton and Macau as well as Hongkong and that the prohibitive burden of land costs in Hongkong could be avoided.

On the negative side, the success of the airport would depend heavily on continued cordial relations with China.

"I would think, looking at it very quickly, that it would be a great place to have an airport if there were no political problems," said the Chairman of the Board of Airline Representatives, Mr Dudley Freeman.

"But my off-the-cuff view would be that an airport on the other side of a political border may not be the best thing.

"Things are buddy buddy right now but who knows how they'll stand in four to five years?"

He also said there may be difficulties with aircraft having to fly over the airspace of both Hongkong and China while landing or taking off from the airport.

Under the proposal, the airport would cost about $2 billion, with China and Hongkong both picking up 30 per cent of the cost and the remainder being financed by the syndicate.

It would take about five years to complete and the principal and interest on the investment would be paid back over 10 years.

The syndicate has suggested that China declare the proposed airport a "neutral zone" and guarantee unrestricted access for flight operations.

CSO: 4020

FOREIGN TRADE

PRC-BUILT FIBERGLASS YACHT ARRIVES IN HONG KONG

Hong Kong SOUTH CHINA MORNING POST in English 9 Feb 80 p 8

/Text/

The first modern yacht built in China was towed proudly into the anchorage of the Royal Hongkong Yacht Club yesterday.

The sleek, 30 ft racer was built over the past three months in a shipyard about halfway up the Pearl River towards Canton.

All the materials for the American-designed, Douglas Peterson 30, were imported from Japan. It was built by Chinese workmen.

Mr Bill Hsu, director of East Haven Marine Ltd, the local firm that supervised China's first fibreglass yacht construction, said low labour costs in Guangdong made it an ideal location for the work.

At $125,000, he said, the yacht is a bargain.

"What we are trying to establish is that these can be built about 20 per cent cheaper in China than anywhere else," he said.

"And built well too."

Ten more of the yachts have already been ordered.

Representatives of a local China-owned bank first suggested to Mr Hsu last summer that the shipyards around Canton would be a good spot for fibreglass boat construction.

By August, a contract was signed with the Guangdong branch of the China National Machinery Import and Export Corpn.

A fibreglass mold and construction materials were shipped into Guangdong and two technical supervisors, including UK expert Mr Ken Raybould, stayed in Canton to oversee the 30 labourers who worked on the craft.

"Deng Xiaoping has called for technology transfer as part of the four modernisations," said a spokesman for East Haven Marine, "and that's exactly what this is."

Eventually, she said, the firm hopes that most of the materials used in construction will be available from sources in China.

Fibreglass airline containers and bathtubs are also under consideration as potential profit-makers in the hands of the Guangdong labour force.

China's new sloop will get its first taste of competition on Sunday when it enters a race around Hongkong Island.

CSO: 4020

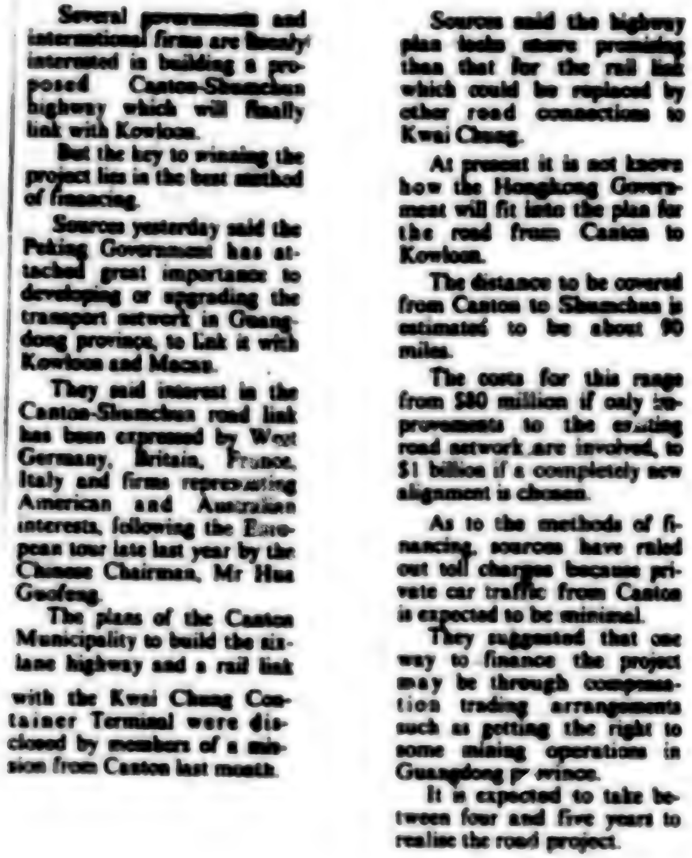
FOREIGN TRADE

PROPOSED CANTON-SHUMCHUN HIGHWAY SPARKS FOREIGN INTEREST

Hong SOUTH CHINA MORNING POST in English 10 Jan 80 p 7

[Report by Barry Choi]

[Text]



Several governments and international firms are keenly interested in building a proposed Canton-Shumchun highway which will finally link with Kowloon.

But the key to winning the project lies in the best method of financing.

Sources yesterday said the Peking Government has attached great importance to developing or upgrading the transport network in Guangdong province, to link it with Kowloon and Macau.

They said interest in the Canton-Shumchun road link has been expressed by West Germany, Britain, France, Italy and firms representing American and Australian interests, following the European tour late last year by the Chinese Chairman, Mr Hua Guofeng.

The plans of the Canton Municipality to build the six-lane highway and a rail link with the Kwai Chung Container Terminal were disclosed by members of a mission from Canton last month.

Sources said the highway plan looks more promising than that for the rail link which could be replaced by other road connections to Kwai Chung.

At present it is not known how the Hongkong Government will fit into the plan for the road from Canton to Kowloon.

The distance to be covered from Canton to Shumchun is estimated to be about 90 miles.

The costs for this range from $80 million if only improvements to the existing road network are involved, to $1 billion if a completely new alignment is chosen.

As to the methods of financing, sources have ruled out toll charges because private car traffic from Canton is expected to be minimal.

They suggested that one way to finance the project may be through compensation trading arrangements such as getting the right to some mining operations in Guangdong province.

It is expected to take between four and five years to realise the road project.

CSO: 4020

FOREIGN TRADE

HONG KONG-GUANGDONG BUS SERVICE TO START IN MIDYEAR

Hong Kong SOUTH CHINA MORNING POST in English 1 Feb 80 pp 1, 3

[Report by Humphrey Hawksley]

[Text]

A through bus service between Hongkong and Guangdong province is due to start by the middle of the year, following the signing of a multi-million dollar deal in Canton.

The contract saw the beginning of a joint-owned Hongkong-China company which will specialise in both land and sea transport between the two places.

It was drawn up between China Merchants Steam Navigation Co Ltd, the Guangdong Provincial Bureau of Traffic and Inchcape Enterprises Ltd in Hongkong.

China Merchants is a Hongkong representative of the PRC shipping corporation.

The new company, called the Motor Transport Company of Guangdong and Hongkong Ltd, will be registered both here and in China within a few weeks.

Inchcape's chairman, Mr P.G. Williams, said yesterday it was one of the few — and possibly the first — joint venture projects of this type.

"While initially the bus trip will be only to Canton, we hope it will expand to neighbouring cities in China," he said.

"Hopefully the first services will start by the middle of the year."

He said the vehicles would be bought overseas with cash supplied by all parties.

Inchcape will own 25 per cent of the company, while the Chinese authorities will own 51 per cent and China Merchants the rest.

Details on cost of the bus trip and frequency of the service have yet to be worked out and much of this will depend on the success of the route.

Tight security will check that illegal immigrants do not use the bus service as a means of sneaking into Hongkong.

The journey will take between four and five hours.

This compares with a three-hour ride on the direct Kowloon-Canton train, which costs $59.60.

The announcement of the project comes shortly after revelations that several foreign governments and international corporations are keen to sink money into a modern Canton-Shumchun highway which will eventually link with Kowloon.

Peking is known to attach great importance to a fast highway both to Hongkong and Canton and West Germany, Britain, France, Italy and firms representing American and Australian interests have also expressed interest.

At present the road joining Man Kam To on the Hongkong side and Shumchun on the Chinese side is used by container and conventional lorries for running raw materials and manufactured goods mainly between Hongkong and Canton.

But the Chinese authorities have remarked several times that the road would not be able to cope with a build up of traffic resulting in the closer links between the two places.

The cost of building a highway could be as much as $1 billion.

A Chinese delegation said in Hongkong late last year that a study is also being made for a rail link between Kowloon and the Kwai Chung container terminal.

Added to the bus service the new company will run both land and sea freight and, if it is called for, will provide air-freight facilities.

The first route will take in only Canton, but later this could be extended to other places as far as Hsiamen (Amoy).

The Inchcape venture was

immediately hailed as a most significant step towards Sino-Hongkong links by political observers here.

It is thought plans had been in the pipeline for only a few months before the deal was clinched, which observers say is another indication of how fast the Chinese want to move towards modernisation.

"It gives both sides a big bite of the cherry," said one observer.

"The Chinese are getting further into Hongkong and we are getting further into China."

The significance of the project was shown at the signing ceremony held at the Tung Feng Hotel on Tuesday.

The banquet was hosted by very senior Government officials including the director of the Provincial Bureau of Traffic, Mr Wang Chaiyuen, and the deputy chairman of the Guangdong Provincial Government, Mr Zeng Dingshi.

CSO: 4

PEKING FIRM BUYS HONG KONG SITE FOR WAREHOUSE

Hong Kong SOUTH CHINA MORNING POST in English 8 Jan 80 p 10

[Excerpt]

The general manager of China Travel Services, Mr Y.M. Fong, created a record price for an industrial lot yesterday by offering $116 million for a Hunghom site in a public auction.

He made the bid on behalf of Peking-controlled Hip Kee Godown Co (HK) Ltd.

Most major developers were at the auction.

The bidding started at $40 million.

Chinese official interests bought a nearby site for godown purposes in February last year at $33.8 million.

The price per sq ft was then $1,550.

However, on per sq ft basis yesterday's price was 217 per cent over the previous lot.

Mr David Woo, of David Woo and Associates, architects, who was accompanied by his father, Mr Woo Hon-fai who heads Lee Hing Investment, and Mr Fong were bidding on behalf of the Chinese interests.

His firm is expected to design the industrial lot into a godown for China.

However, both lots bought by Peking interests have tremendous advantages for China in view of dramatically rising trade, particularly re-exports, as well as goods processed for Hongkong manufacturers in Guangdong and other parts of the country.

The sites are extremely close to the Hunghom railway terminus.

CSO: 4020

FOREIGN TRADE

SHANGHAI PROCESSES DRIED FISH FOR EXPORT

Protein-Rich Horse-Face Fish

Shanghai JIEFANG RIBAO in Chinese 21 Dec 79 p 2

[Article by staff reporter Gao Xiaoxiao [7559 5135 4562]: "Case of 'Rubber' Fish Reversed--A Visit to Shanghai Fish Product Processing Plant"]

[Text] At the mention of the horse-face fish, people always shake their heads. Its appearance pleases nobody, its color looks like rubber, so people call it rubber fish. The fish is not popular at the food market. However, when it is processed by the Shanghai Fish Product Processing Plant, it suddenly rises in status and becomes a treasure. A few days ago, your reporter paid a visit to this plant and saw with his own eyes that here every part of this horse-face fish, from its skin to its bones, is useful.

The plant is situated on Fuxing Island alongside the Huangpu River, as a neighbor of the Ocean Fishery Company. When a haul of horse-face fish from the sea arrived in the plant, they were first washed clean in cold water at 20 degrees, and carried on conveyance belts into the slicing workshop. Here, the female workers carefully cut them open and sliced off two thick pieces from their sides, which were sent to the seasoning workshop to be mixed with salt, sugar, gourmet powder and other ingredients and then placed in the oven for drying. After the heating treatment, the fish slices looked like pieces of dried salt fish of fine quality. Finally, in the packing workshop the workers packed the fish in plastic bags, waiting for export. Besides such baked dry fish slices, here the fish was also made into sweet, hot, salted and sesame fragrant slices in the preserved form. The dried horse-face fish slices taste very delicious, even better than the best salted fish; the flesh is of a strong and elastic texture.

The plant manager took your reporter on a tour of inspection while telling the history of the operation: "In the past, people did not understand this kind of fish, someone even said that it was poisonous, and that whoever ate it would feel itchy. We proved from chemical analysis that not only is the fish not poisonous but also it is rich in protein, as nourishing as the yellow croaker. In addition to higher protein, its flesh contains many nourishing substances in minute quantities, such as inorganic salt, calcium, phosphorus, iron and vitamin B1 and B2 and nicotinic acid. The fish has a big liver containing a certain amount of vitamin A. We were so encouraged by our analysis that we decided to make good use of the fish by all means and recover its reputation. At present, we have not only exported large quantities of the fish in dried slices but also turned out 'fried fish' in cans and other subsidiary products." While talking, the manager led your reporter into the fish liver oil workshop. Here, the liver of horse-face fish is used as raw material for making fish liver oil for the animals at low cost; its price is cheap. Chickens, ducks and pigs put on flesh quickly from eating the oil. Recently, the plant made pills of fish aliphatic acid by removing the fat and the smell of the horse-face fish liver, to be used as an effective medicine for high blood pressure. The high protein in the horse-face fish is used for making cakes as a nutritious snack for children, which will soon go to the market.

The processing plant has not thrown away the leftover bones and skin of the horse-face fish. The fish powder workshop turned the bones into powder to be used as feed for fowls and animals and as fertilizer for crops. This year, the plant has produced 2,000 tons of fish powder. The fish skin is made into a glue which is an ideal adhesive for timber, musical instruments and artistic sculptures. Indeed, every part of the horse-face fish is useful and has been used accordingly.

Finally, the plant manager told your reporter: "In recent years, the Ocean Fishery Company and the Institute of Fishery Products carried out investigation and study and found that resources of the horse-face fish are rich and inexhaustible. Moreover, this fish likes to stay in outer seas where water is of higher salt content and there is no pollution. Therefore, the horse-face fish is also unusually clean. At present, the dried fish made by us is very well received abroad. Our supply cannot meet the demand. We will greatly increase our output next year by making full use of the fish to earn more foreign exchange for the state."

Market Expanding Rapidly

Shanghai JIEFANG RIBAO in Chinese 21 Dec 79 p 2

[Article by Hao Zhi [1170 4249]: "Shanghai Fish Product Processing Plant Exports 32 Tons of Dried 'Rubber' Fish"]

[Text] Up to the 17th of this month, the Shanghai Fish Product Processing Plant has fulfilled its task of trying out the production of dried slices of raw horse-face fish for export. This year, the plant has exported totally 32 tons of this product and earned in return US$80,000 in foreign exchange.

The scientific name of this fish is called green-fin horse-face tun [9639] (globe fish), and is also called 'rubber' fish, a new school of fish having emerged in the East China Sea only in recent years. At present, its total output has risen to second place in China's output of salt-water fish, next only to the hairtail. In April every year, this fish is most flourishing. During this peak period, the trawlers of the Shanghai Municipal Ocean Fishery Company alone can haul 40,000 to 50,000 tons.

As the output of the horse-face fish is high, and large quantities of this fish appear on the market during the brisk fishing season, not only people at home begin to know this fish very well but it has also gradually opened its market abroad. In February this year, the Japanese merchants came to Shanghai to place orders of dried slices of raw horse-face fish. Not very long afterwards, they sent a set of drying equipment to the Shanghai Fish Product Processing Plant as a gift. In June and November, they again sent their personnel to Shanghai to inspect the products of the plant, who unanimously agreed that the dried fish made by the plant was clean and healthful, its quality was stable and met with their requirements, showing improvement time after time. The Japanese merchants made their request to increase the quantity of their orders. According to the initial agreement reached recently, the plant will increase its output of dried fish by nearly 10 times.

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FOREIGN TRADE

BRIEFS

MILK FOR HONG KONG--Another brand of fresh milk will be on sale in Hong Kong this summer. It is being produced by the Hong Kong Soya Bean Products Co--and will come from China. The company has 1,000 New Zealand cows chewing away at a farm in Shumchun, from where the Pearl River brand milk comes. But all the milk produced by the company will be sold here. The company's marketing manager, Mr Bill Wong, said his firm is at present putting the finishing touches to their factory in Shumchun, and hope to have the milk flowing by July. It will be bottled and pasturised in China. The factory, which the company says will be very modern, will be staffed by Chinese workers. But there will be Hong Kong technical staff on hand and possibly supervisory staff from overseas. The milk will undergo the usual health checks by the Urban Services Department. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 29 Jan 80 p 11]

HONG KONG CRAFTS SHOP--The Chinese Arts and Crafts (HK) Ltd yesterday opened its fourth branch at the New World Centre in Tsimshatsui. The 4,000-sq ft shop sells goods specially aimed at the tourist market, a spokesman, Mr Ho Chan-leung, said. "We pay special emphasis to jewellery, embroidery and ivory carvings which are particularly attractive to tourists," he said. [Excerpt] [Hong Kong SOUTH CHINA MORNING POST in English 3 Jan 80 p 7]

TIANJIN FOREIGN TRADE--The volume of business of enterprises under the Tianjin Foreign Trade Bureau with foreign countries reached 90 million dollars in January, showing a substantial increase over that in the same period of last year. The amounts of export of 13 special import-export cooperations were 61 to 232 percent higher than in the same period of last year. [Tianjin City Service in Mandarin 1330 GMT 10 Feb 80]

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